

MAN'S WANTS, WORK  
AND WEALTH

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# MAN'S WANTS, WORK & WEALTH

A BEGINNER'S COURSE IN  
ECONOMICS

BY

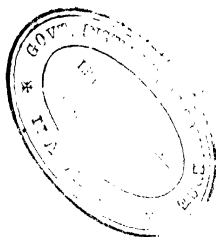
SUSAN CUNNINGTON

HONOURS CAMBRIDGE TRIPOS, NEWNHAM COLLEGE

AUTHOR OF "GEORGIAN ENGLAND"

"THE WORLD IN ARMS," ETC.

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## FOREWORD TO THE READER

THIS little book aims at interesting both the young student and the general reader, and hence the subject is dealt with so as to avoid as far as possible the technical terms which sometimes create dismay. The familiar details and experiences of ordinary life are discussed from their economic aspects, and endeavour has been made to connect the practical and the visible with the underlying theory of the science of economics. Hence the future student will have nothing to unlearn in pursuing the formal study of economics, and the general reader may have formed some clearer idea of the truths which modern complexity of life so greatly obscures.

Nor in a democratic age can any member of the community afford to be without some knowledge of the interaction of the agencies and forces among which he lives. It is merely evasion to speak of "blind forces" and "iron laws" when it is often culpable ignorance or blameable selfishness which brings disaster to human beings, their lives and their ideals. With even a little knowledge, intelligent service and co-operation are possible, and these, animated with goodwill and leagued with conscience, would soon suffice to remove most of the material ills which afflict our social relations.

S. C.

1923.



3-OCT 1933

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# MAN'S WANTS, WORK AND WEALTH

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## PART I

### THE EARNING OF THE NATIONAL INCOME

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#### CHAPTER I

##### HUMAN WANTS

*"No creature is more helpless, or less able to make a living than a solitary man"*—RALEIGH

IN approaching our present subject we are really setting out to consider how that great body of people, known as a nation, supplies its wants, or, in other words, gets a living. And, as a nation is made up of many smaller communities, and each community contains different groups and families, and in each group or family are separate individual persons, we should expect to find that the various endeavours of these parts go to make up the sum total of endeavour which provides for the nation.

And this is true, but also it is more than that : as—to take a practical illustration—a well-made cake has a total food value and pleasantness of flavour beyond the sum of the food value and flavours of the separate ingredients ; or—to take a poetic illustration—a full chord in music has a tone and beauty beyond the sum of those contained in its separate notes. So, though an individual man can by his intelligence and industry accomplish much, it is by



combination with his fellows and the sharing with them of both labour and its fruits, that the marvels of civilization are achieved.

The records of primitive man show that, in a savage state, not only are wants few and easily supplied, but also that beyond the limits of the tribe or clan there is no peaceful association. A distinct step in Social Progress is made when alliance is formed between separate tribes ; and, when the members agree to exchange possessions or services, so as to profit by various kinds of skill, they begin to experience the benefits of society. For even a simple combination of effort soon results in greater convenience ; less hard work for the weaker, increased deftness in particular forms of handiwork, and, with ordinary industry, richer returns for labour.

The long and slow journey from the savage state to the highly civilized has come about, firstly, through the human desire for companionship. Out of this has grown and developed what is called the Social Instinct, or consciousness of a common good as well as of an individual good. And obedience to this instinct has resulted in a capacity for service and mutual aid which becomes more active and sensitive the more it is practised. The story of this development is the history of civilization, and it shows the disappearance of the self-sufficing independence of the savage and the building-up of the interdependence of civilized communities.

Very slowly has the change taken place, though only a few regions of the earth are now occupied by human beings in a savage state. Where they exist it is seen that the capable man, relying on his own strength and cunning, tends successfully for himself in the matter of getting a living, and protects his own, whether family or goods, but it takes him all his time. To those outside his little circle of blood relations he is hostile, and they to him. The incapable man, who through physical weakness or defect cannot hold his own, soon finds himself an outcast from

the tribe and dies from want, or may even be put to death. To a much later stage belongs the idea of the stronger members protecting and assisting the weaker.

In this early stage man is probably a hunter, dependent for his food upon what he can chase and kill with the rudest weapons. He wanders from place to place and, consuming what herbs or fruits grow wild, cultivates nothing. After the hunting stage comes the pastoral, when the tribe accumulates flocks of animals, the flesh



REAPING AND CARTING CORN. (L. ALPH. MS. Vol. II.)

#### REAPING AND CARTING CORN IN ANCIENT DAYS

for food and the skins for clothing, and stays sufficiently long in one place for the natural pasturage to be eaten. This condition is a great advance upon the earlier ; building is foreshadowed in the tent-shelters, and future elaborate industries in the loosely woven fabrics of which they are made.

But it is when the tilling of the soil and the cultivation of grain take place that the greatest stride is made. "Corn the Civilizer" is all against the nomad life. When the ground is prepared and the seed is sown there is the wait for the harvest, and in only few regions of the world can the crop be reaped more than once a year.

Then it would be worth while having some more

## MAN'S WANTS, WORK AND WEALTH

substantial dwelling than a tent, and thus would arise need and opportunity for various building devices ; rude, simple, awkward, as perhaps we may call them, they were tremendous experiments and demanded as much patience and ingenuity as any of our modern inventions. Presently would come the beginnings of furniture ; something other than solid, or hollowed, logs of wood. And all the while improvements in tools must have been taking place ; yet how rough and awkward for their purpose !

We may think with respect and wonder of the long ages during which the ground was tilled before the plough was devised ; of the laborious harvesting without even sickles ; of the painful threshings before flails were used. And of household arts, there were spinning without a wheel, weaving without a loom, and sewing without needles. And, of course, all methods of cultivation were slow and cumbrous ; little would be done to restore to the soil its exhausted fertility ; the natural riches of the earth would suffice for many generations. Indeed, only in the more temperate and genial regions of the world could Corn the Civilizer have begun his work.

In such a little primitive community we may see the origin of the village. To-day in some parts of Russia and India there are settlements almost as simple. The few wants of the small population are supplied by themselves ; each little community is self-sustaining, and for the chief necessities of life almost each household is the same. Each grows its own grain and herbs ; feeds its own tiny herd or flock ; prepares the flesh for food, the skins for clothing, the fleece for spinning ; weaves the fabrics, and makes them up ; brews and bakes ; decocts its medicines and cordials ; fashions its structures and keeps them in repair ; and has specialized labour only so far as to maintain a smith. Its "imports" are almost confined to the wares of the travelling potter and the yearly pedlar.

Such communities may be justly described as primitive, but they are not barbarous. The stage is far removed

from barbarism, and people have partly embarked on house-keeping. To some extent they combine together ; at ploughing-time and harvest, at shearing and salting seasons, custom and convenience dictate united labour. Also to some extent they realize themselves as a social unit, and as having a common good ; so that for defence against wild animals, the clearing of roads, the safety of fords or bridges, each household contributes service, material or implements, according to its possessions.

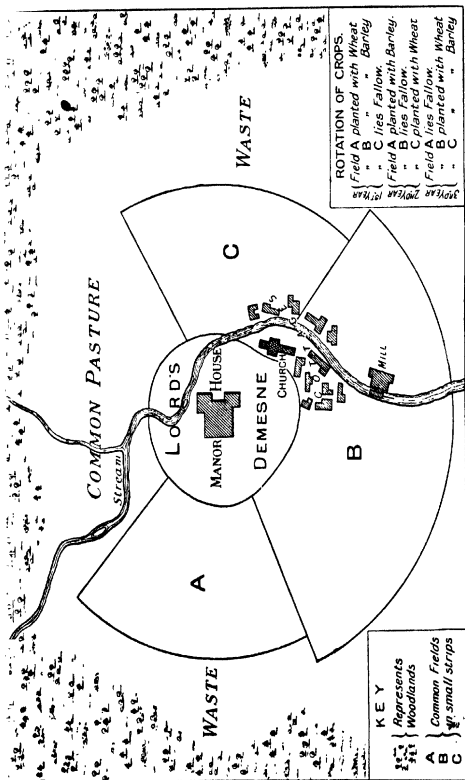
Most nations which have an ancestry stretching into a distant past can point to a stage in its development when these conditions held. We see it pictured for us in the early part of the Old Testament—in the Book of Ruth ; in the history of Saul and David ; and in the earlier pastoral records of the patriarchs. The population of Palestine in the time of Christ consisted mostly of village communities, and the simplicity of life is shown in many of the details of the Gospel narratives. Only the northern part of the country was fertile, but the industry of the people enabled them to make the most of the productiveness of the soil. To prevent its exhaustion and to restore its fertility the old-time custom of allowing portions of the cultivated land to lie fallow in turn was carefully maintained. The inhabitants had early combated the lack of water by constructing reservoirs and conduits and digging wells, and they were famed beyond their borders for their household crafts. Among the writings attributed to King Solomon is the Praise of the Good Housewife ; her prudence, diligence, discretion and personal skill ; her liberality and right judgment ; her delight in order and beauty.

Very similar to this ancient life, with allowance for differences of climate and usage, was that of many countries of Europe—Italy, Germany and France and, indeed, of our Old English ancestors in this country a thousand years later. The country was largely forest and marsh, but where it was less rugged and forbidding it was sparsely dotted about with small self-sustaining communities. Their

humble cots were clustered round the Manor House of the *thane* or earl, or in later days sheltered beneath the protecting frown of the Norman castle. Their "dues" were paid in services, ploughing, sowing, reaping, on certain days in the various seasons ; their living was got by the cultivation of their "holdings" of land with their modest crops of grain and rough pasturage. The "common" land was shared by all, its herbage serving towards the animals' keep ; pigs and geese were free to trespass on the outskirts of the frequent forests ; and wild fruits, nuts and fuel might be gathered there.

The farming implements were few, and the more valuable, as ploughs and wheeled carts, were held in common ; oxen did much of the work which horses were to do in later times, and served as beef after a strenuous life. Sheep were large and muscular, their fleeces more precious than their flesh ; the guarding of the creatures in holdings entirely unfenced demanded many "herds," whose duties are suggested in words now rarely needed, as cow-herd, swine-herd, goose-herd. Though each village could provide for its own needs and support a few simple craftsmen, as the smith, the tanner and the maltster, it produced little to send beyond its borders. Except the itinerant potter, with his cumbrous wares, and the tinker with his miniature smithy, travelling traders were regarded with suspicion and hostility, especially in the inland districts. Goods were exchanged within the community by a system of barter ; the owner of the newly-killed ox would be willing to dispose of parts of the hide in exchange for a needed implement beyond his skill to make, or to increase his store of seed. Evidently it would not be easy for anyone to become what we call "rich" under this old-world manner of life ; that is, no one would set himself to produce a great number of things beyond those he needed for himself, in order to exchange them ; which is the essence of "trade."

" As early as the reign of King Alfred a law enjoined that

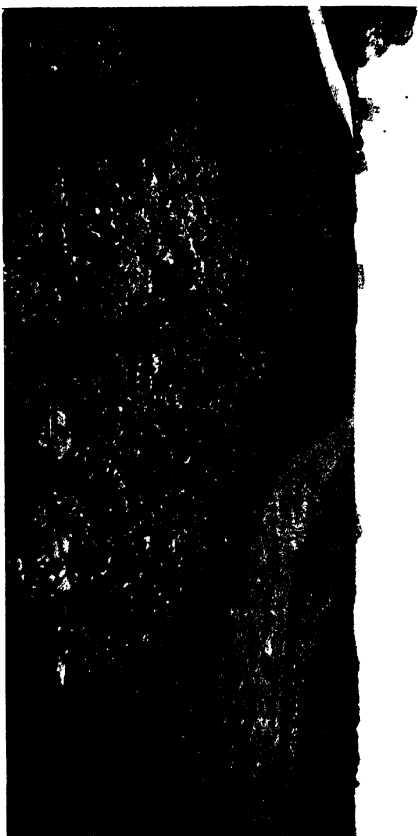


A PLAN OF MANORIAL ESTATE

"foreign merchants" should not be hurt or molested. This was when "foreign" truly enough described a Kentish man to a Wessex man. And in much later days, under kings who knew the importance of trade, there were statutes framed enjoining peaceable treatment of "foreign" merchants, when the word implied a traveller from beyond the seas.

Looking at our country in imagination in that far-away time, we see that there was almost nothing of what we now believe to be so important—the organization of industry. In rural life, and nearly all England was rural then, the seasons principally regulate, if they do not organize, industry; and where communication is difficult, and intercourse with an outside world impossible, the demand of the present moment for certain work to be done prevents elaborate planning for arranging everything differently. Even now it is found to be much easier to organize the making of things than the growing of things; though railways and good roads and fast vehicles make communication easy; and though we know much better than our forefathers did what differences of climate, rainfall and soil are to be taken into account in farming and agriculture. Then it was very truly the "day of small things." The country had few inhabitants, there were no great towns, no crowded centres of population, wants were modest and modest, too, the means of supplying them. In the modern civilized world, and especially in our own land, there has been taking place, for a century past, the gradual change from individual ownership and small production of many things to company or joint ownerships and large-scale production. Hence, the great centres with many workers, and hence, too, the many different kinds of food, clothing, furniture and conveniences which were unknown to our ancestors.

All this means much organization, or management; and every one is conscious of it, through the many different trades and the various grades of workers, and the necessity



ANCIENT SMALL HOLDINGS  
Open fields at Epworth, Isle of Axholme, Lincolnshire.



for learning a trade and the difficulty of changing from one kind of work to another. But we are not therefore to think that, in the distant times we have been discussing, there was no careful arrangement, and no method in the great task of getting a living. On the contrary: the greatest care had to be taken of everything, and immense pains and labour bestowed on the cultivation, gathering, storing and preserving of the crops, and precautions taken against perils of storms and weather, and wild animals, and robbers, which dwellers in the safety of to-day can hardly realize. And though but little was known of what are now understood as proper methods of agriculture, of the breeding of flocks and herds, of cleansing and dressing hides and fleeces, yet the lore that existed was treasured and followed. That is, there was a "right ordering" of the pursuits and labours and gains of the community, which served the conditions of the time and made for the common good.

This "right ordering," and for the same end, is what we are all seeking now when we set out to understand how the people of Great Britain get a living; satisfy their wants, and each contribute something to the common good. All through the ages of the world this has been the universal task of man; done with various degrees of success, and lightened by different kinds of inspiration. But only in recent times have people studied the "what and the why and the how," that is, the theory of it.

The Greeks, with their keen intellectual curiosity were the first people to think out the subject, and the name they gave to the study was *oikonomie*, or ECONOMY. The word meant ordering or management, or administration, of a house; not at all in the modern narrowed sense of thrift or parsimony, but the *right* or true administration. To be "right" it must, of course, avoid waste, but equally it may be liberal. In its wider sense the word covers the administration of a State, and the English form POLITICAL ECONOMY expresses this; but the more usual term now in use is ECONOMICS.

## NOTES AND DEFINITIONS

*Social Progress.* Increase of mastery of the art of living together in friendly pursuit of the same ends.

*Specialized Labour.* Work requiring technical skill or special fitness.

*A Social Unit.* A member of a community or body.

*Large-scale Production.* Manufactures in great factories or foundries.

*Political Economy.* The study of man's actions in the ordinary business of life ; how he gets and spends his income.

## Questions and Exercises

1. Digging wells is said to have been one of the earliest forms of united labour. Where have you read of it ?
2. Explain : dependence, independence, interdependence.
3. Make drawings of some early weapons or tools.
4. Write a short theme on " Corn the Civilizer."
5. Study the Economy described in Proverbs xxxi.

## CHAPTER II

## NATURE AND MAN

*" Those innumerable goods which support, cheer and embellish our lives all alike come from Nature's store. The earth is fertile but its fertility must be compelled. It contains unimaginable treasures, but they have to be laboriously extracted from its recesses."—PARKINSON.*

SINCE in Economics we are dealing with man's use of material things one of the first points to consider is where and how they are obtained. For, great as is human skill and wonderful in its results, man cannot make something out of nothing. The formal way of saying this is that the "two requisites of production are material and labour." This material is originally the gift of Nature, however much it may be changed and improved by the activities of man. Hence, we find that physical geography has something to do with Economics.

The whole extent of the surface of the globe differs very much in the quality of FITNESS FOR HUMAN LIFE. There are frozen regions, vast deserts, dreary marshes, impenetrable forests ; and there are parts where the temperature

is pleasant, the air sweet and healthful, the vegetation kindly, and the soil richly fertile. And between these differing conditions lies the greater area of endurable climate and tolerable conditions. We may remember, too, that the progress of science and the diligence of workers have combined to make many parts of the earth's surface habitable which, in earlier ages, were impossible as human dwelling-places.

The next essential condition is the **POSSIBILITY OF COMMUNICATION**. A rocky coast with no harbours, turbulent unnavigable rivers, dense forests and barren mountains, or sandy wastes and quaking swamps, are great hindrances to human intercourse. Here, again, the ingenuity and persistence of man have overcome some of them to a great extent, but some are too dearly conquered, and some are unconquerable. An old story of a Roman general shows how those determined civilizers understood the importance of easy communication. To his deputy undertaking the control of a newly-vanquished province he remarked that he should give him but three counsels: the first, "Make roads"; the second, "Make roads"; and the third, "Make roads."

After these two comes the condition of **FERTILITY OF THE SOIL**; that is, its capacity to support growths upon which animals and man can live. To have abundance of such there must be sunshine and rain, which human skill can neither increase nor diminish; though the irrigation of dry districts and the draining of marshes and fens may compensate for too small or too great a rainfall. Industry and care in tilling and dressing the land, in adjusting crops, and improving and cultivating wild vegetation, can immensely increase the natural fertility of the soil and its produce. This may be seen in our own country, where the once undrained marshes are rich meadow-lands, and the meagre crops of mediaeval times multiplied ninety-fold.

The fourth condition to take into account is the **MINERAL RICHES OF THE LAND**; gifts lying below the surface and

## NATURE AND MAN

generally demanding even harder efforts to bring into use. Among such we count coal and peat and oil, all fuel-forms ; gold, silver, and precious stones ; ores, as iron, tin, lead and copper ; clay for pottery ; stone and slate ; and the



A ROMAN ROAD

Roman roads were raised several feet above the level of the adjacent land, and so got the name of "highways."

various salts used as food or chemicals. In the modern world the economic system of a people, that is, their chief way of getting a living, depends immensely upon their mineral riches. This is evident in the matter of fuel, which is necessary not only for warmth in homes, but for manufactures, machinery and transport, whether by land or by

sea. So also in the case of the ores worked up into metals, made into compounds, and used for every variety of object, from a mammoth ship to a lady's trinket.

Still another physical detail is worth noticing, namely, the NATURAL FORCES available. The most obvious of these are wind and water ; and while the windmill is an ancient " machine," and the rig of a sailing ship and its manipulation were early triumphs of intelligence and daring, no further progress seems forthcoming in the way of utilizing this unique natural force. The water-wheel, which also is of venerable age, in adapted forms is having an extended sphere of usefulness not permitted to the windmill, since, wherever there is swiftly running water it can be curbed and controlled for the making of electricity. Similar use can sometimes be made of falling water, and attempts to capture and harness it have been made on the giant Falls of Niagara and some of the Swiss and Welsh cascades. Enterprising minds regret the unused force of the flow of tidal rivers and the swing of the tides on our coasts, and perhaps in days not far distant some way may be found of utilizing the available power of these.

Material progress and the increase of wealth are largely due to the better understanding of the PROPERTIES OF THINGS ; that is, the way in which natural objects grow, exist, and behave ; and of NATURAL LAWS, that is, the action of forces which man cannot control. Among the former are *cohesion*, or the clinging together of particles of matter ; *solubility*, or the change of form of some materials when immersed in water ; the *affinity* of different materials for each other, so important in building, in cleansing fabrics, and in cooking food ; the behaviour of water in movement. Among the latter are *gravity*, *germination of seeds*, *growth*, and the succession of days and seasons.

Quite early in his economic education man learnt the fitness of day for most forms of labour, and the appropriateness of the seasons in which to plough, to sow and to garner

the fruits. Many generations lived and observed the mysterious result of the union of fire and water before they were able to utilize and control steam; and for a still longer time man had observed, and even produced on a tiny scale, the active element known as electricity, before he



COAL MINERS AT WORK

was able to turn it to account. Always his progress has depended upon his mastering the peculiar quality, or "property," of the material he desired to use.

Thus, by degrees, man learnt to devise tools and implements to serve him, in accordance with the natural law

that the harder material can penetrate, or sever, the less hard ; and by slow degrees and many patient, if awkward, experiments, found the convenient or " advantageous " positions for fitting parts together ; found, too, that certain kinds of matter could be used as cement, and others as bands. But a curious feature in the physical labour of man, as was pointed out by a writer in the last century, is that all he can do is to *move things*. This sums up his least and his greatest achievements. He moves the particles of the earth's surface, moves seed from bag or shelf to the prepared ground ; later on he moves (with joy) the crop that has grown in obedience to natural law. If in the interval he has done anything to help, it is again by moving something ; say, water to the spot in absence of rain, or some kind of shelter from too great heat or cold. He moves an implement of metal persistently against a tree trunk and by the force of gravity the upper portion falls to the ground. By similar movements of cleaving or sawing the tree is cut into suitable lengths and portions. By other " movings " of appropriate tools the fragments are placed and joined, and furniture, or chests, or wagons are thus constructed. The same principle applies in spinning, weaving, and the making of garments ; to the preparation of food-stuffs, and to the most delicate experiments in chemistry or physics.

Nor does this limitation of human activity make labour and its achievements any less wonderful, but rather more so. For everything depends upon right moving ; upon, that is, the obedience of muscle to mind, the control of physical force by intelligence. The great distinction between man and the lower animals is that the marvellous instinct by which they provide for their wants, and construct their homes, and bring up their young, in no way improves or develops in the lapse of centuries. The ant pursues her industrious course to-day just as she did in the time of Solomon ; the beaver constructs his dam, the bird builds her nest, the bees dwell in their ordered

communities, and toil unwittingly for man's persistent rifling of their stores, now as they did thousands of years ago.

But man, beginning his economic career in as modest a way, thinking only of present wants, satisfying his urgent physical needs by hunting his prey, dwelling in natural



*Photo by*

A WATER-MILL

shelters and only presently devising structures adapted from those of the lower creation, had within him a certain spark which stirred and impelled him to a noble strife. The animal world was to be subdued by him ; the surface of the earth, and the waters that surround and penetrate it, were to yield their riches to his toil and daring ; the forces of Nature at length to be known and interpreted, and their hostility and malign influence to be transformed into beneficent agencies.

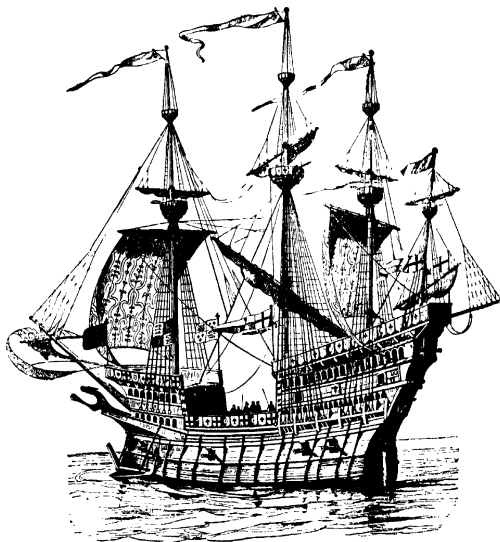


The story of the world tells us of many civilizations that have arisen and passed away. We can decipher something of their manner of life, hopes and aims, accomplishments and endeavours, in the fragments of cities and monuments that have been preserved ; but most of their lore has perished with them. The Eastern world saw man busy, achieving, conquering, while the West was a riot of waters and giant vegetation. Moving westward, the human hive in the course of centuries transferred its central activities from Asia to Europe ; and in the lapse of further centuries built yet another home towards the setting sun in the Americas of the New World. If we may liken the progress of humanity to some great stream, flowing westward, we may also see, in and beside the main course, pools and backwaters where it is stagnant ; where, in comparison with the onward flow and development, the condition is stationary, and the degree of attainment primitive. And also, as in the case of a river, at some period of time and at some spot in its course, the onward movement was arrested by some obstacle or barrier, and it was turned aside. Hence it comes that there exist in various parts of the world groups of people who live and behave as did their remote ancestors.

In the long human story, too, we find the prominent part being taken in succession by different races of mankind, each contributing something, of good or evil, to the general store of material and spiritual capacity. In this little book we can consider only the white race, and of the many peoples constituting that great branch, only those of Great Britain, her daughters, and her neighbours.

Since the latter half of the fifteenth century, when the modern world began, the people of Western Europe and of the British Isles have been in the forefront of civilization. Thus they have escaped many of the economic evils from which their ancestors suffered in early times, the chief and worst of which was famine. When separate districts had little intercourse with one another, and when each

locality was self-sustaining, a failure of crops meant absolute want. But with the system of trading and exchanging goods established, a bad harvest in one place, or even in many places, was much less serious if corn could



SHIP OF HENRY VIII

be bought elsewhere. And a constant accompaniment of famine was pestilence ; the two together, so often mentioned in old records, would in a few months undo the patient work and blast the hopes of a whole community.

With this comparative freedom from the worse scourges

of humanity there grew up the great system of commercial industry, or interchange of products, which is the marked characteristic of our age. It has been said that "by exchange and transport the wealth of all nations becomes the wealth of each." And, besides the gain in material plenty, there is also an advantage sometimes overlooked, in the development of capacity in the people of different nations, in doing largely and systematically what they can do best. It has been pointed out that much of Great Britain's prosperity dates from the time when, owing to the discovery of steam power and the invention of elaborate machinery, British workers excelled as engineers and mechanics, as miners and as navvies. Similarly, the French have ranked first in the construction of artistic furniture and ornaments; the Italians in silk-weaving and glass-blowing; the people of Denmark in dairy farming; and the Belgians in small cultivation and poultry farming. It is to be remembered, however, that intercourse tends also to make the "capacity of one the capacity of all"; and unless the natural advantages of soil or climate give a special encouragement in particular localities, the successful industry of one population is soon copied by another.

Where, however, some condition of soil or climate, or the practised skill of workers prevents easy imitation, we see separate kinds of agricultural production, or handwork, or manufacture, continuing for a long time in the same place, making permanent the character of the product, and establishing particular forms of industry in successive generations of workers. This feature is very marked in the great organized industries of all European countries, and in the case of our own we have only to point to the mining, iron and steel foundries, woollen and cotton factories, and the potteries. But it is also seen in some quite small forms, as, for instance, glass-blowing, bobbin-making, cane and rush plaiting, and tile and brick burning. Sometimes the changes of years and movements of trade

have brought about curious conditions ; as, for example, the pencil industry of the small towns in the Lake District. A century and less ago the lead mines of the mountains and the cedars of the valleys provided the plumbago and the wood, while the abundance of water-power and the simplicity of the machinery made it easy to establish small factories in many places. But presently it became unprofitable to work the mines and the timber was becoming exhausted. Hence, the plumbago was imported from Belgium and the cedar from Bavaria, and thus the little local industry was bolstered up for a time.

We shall see in a later chapter how the change from home industries and individual arts and crafts to manufacture on a large scale and the use of machinery have brought about changes in the face of the country and in the aptitudes of the people. Many old forms of skilled labour, especially in rural work, are slowly disappearing as other materials and contrivances supplant those formerly used. Of such is thatching, the straw roofs being now gradually replaced by slated ones ; the making of brooms by isolated families in the neighbourhood of woodlands and coppices ; charcoal-burning ; and the peculiar mortarless masonry known as "stonewalling," once universal in the north of England, but now year by year replaced by wire fencing. A glance at the list of City companies and guilds in *Whitaker's Almanac* will take in many ancient crafts whose names to-day are almost unintelligible to us. It is not without regret that thinking people note the difference between the craftsmen of olden days and the factory "hands" or machine workers of to-day. In many ways the lot of the modern representative seems superior ; he lives amid fine buildings, if his own be a poor one ; he has opportunities for intercourse and travel which were unknown in former days ; he shares greater material comfort and has more palatable food. But in the growth of society he has become less of an individual unit, with his capacities fully exercised and his status dependent on his skill and industry,

and more like a piece of the elaborate mechanism which has supplanted the human hand in the making of things.

### NOTES AND DEFINITIONS

*The Requisites of Production.* (1) Material, *either* actual land or what has grown on it. (2) Labour, *either* previously bestowed and stored as tools, buildings, money or now exercised upon the material.

*Production.* The transforming of things or materials into more useful forms.

*Properties of Things.* Their nature, their own peculiar qualities.

*Natural Law.* The principle upon which things exist; natural laws are observed consequences, not regulations made by man.

*Organized Industries.* The methods by which the making of things on a large scale are arranged and controlled.

### Questions and Exercises

1. Describe some improvements in the surface of the British Isles due to enterprise and diligence.

2. What parts of the world do you think of as distinguished for : (a) fertility of soil ; (b) mineral riches ; (c) ingenious devices for overcoming difficulties of cultivation ?

3. Write a short theme on : (1) roads and bridges ; (2) electricity.

4. Show by a brief description that physical labour consists in moving things.

5. Find out something about the trades of the old City Companies.

## CHAPTER III

### MEN AND MACHINES

*" The instruments with which man arms his weakness, to act on material objects, are tools and machines. Both are nothing more than means to make the power of Nature serve in the accomplishment of our designs. When we knock in a nail with a hammer we make use of an instrument that enables us to take advantage of the power resulting from a law of physics in the collision of bodies."—SAY.*

THE capacity of man to devise tools to help him in his work of getting a living is one of those gifts which distinguish him from the lower animals. The thrush which smites its captured snail on a stone seems to have made a beginning, but it has got no farther. The intricate web of the spider shows the creature's instinct for making use of

the drifting wind in fixing the framework of its net, but the myriad failures absorb its colossal patience and perseverance so that it devises nothing to circumvent mischance. In the long story of the human race, which can be only faintly glimpsed in the days before history, the great periods of time which mark the stages of progress are

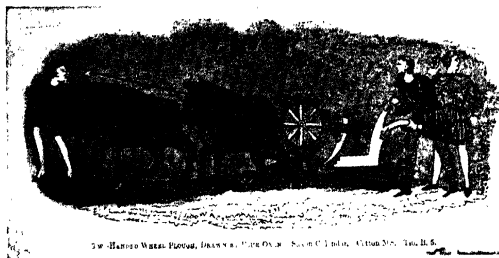


#### FLINT CUTTING-TOOLS

called by the names of the materials which man used as tools. Thus we have the Stone Age, the Bronze Age, and the Iron Age, which last stretches up to our own time.

In almost any museum may be seen some of these ancient relics of human industry ; the slightly sharpened flat stone which served to turn the missile into a tool ; the later " edged " and shaped forerunner of the axe and chisel ; the primitive hammer and hatchet of bronze ; and on some perhaps can be traced the scratches which were a form of

decoration and token of ownership. A strange and unwritten record of effort, and failure, and lucky accident, and brilliant guess, lies between those early instruments and their varied and delicate representatives in the modern world. Besides the many convenient implements for use in ordinary life we may include, too, the apparatus of the scientific laboratory and the outfit of the surgeon's case. And equally may be counted in the mammoth crane used



TWO-HANDED WHEEL PLOUGH

in building, the steam stone-crusher, and the colossal pile-driver ; and as a triumphant combination of power and delicacy we may end up with the Nasmyth hammer, a " tool " that can crush a mass of stone and is yet of so nice adjustment that it will daintily crack a nut.

Sometimes it is debated whether science has done more for the construction of tools for man's service or tools for scientific experiments. And certainly the great advance in even so remote a science as that of astronomy is largely due to the improved instruments. The same is true of chemistry and of physics ; and the story of the gradual designing and improving of one mechanical appliance after another by hosts of patient unknown workers,

as well as the great inventors, is one of thrilling interest.

A word we hear occasionally, without attaching to it any particular idea beyond that of weight, is "millstone"; and this reminds us of the early ancestor of our flour-mills. The "upper and the nether millstone," the latter massive and fixed on the ground, the former with a handle attached,



*Photo by*

#### HARVESTING WITH SCYTHE

was the domestic implement for grinding corn through the long ages before water-mills were devised. The corn so ground had been threshed by hand with the flail, and, as we read in the Bible history, on a raised floor exposed to the wind. It had been reaped, too, with the hand-sickle, on no great expanse of field but on strips and stretches of chosen ground. The land had been tilled by spade or plough, and the precious seed scattered by hand.

The plough is a very ancient tool, or "machine," but in many countries is of little use on account of the hilly



nature of the ground, or on that of the small size of the holding. In level plains and broad valleys the plough was at once the symbol of industry and the agent of plenty. Not always was the "share" of metal; a West Sussex plough, reputed of the ninth century, rests its decayed remains in the courtyard of Lewes Castle, now the



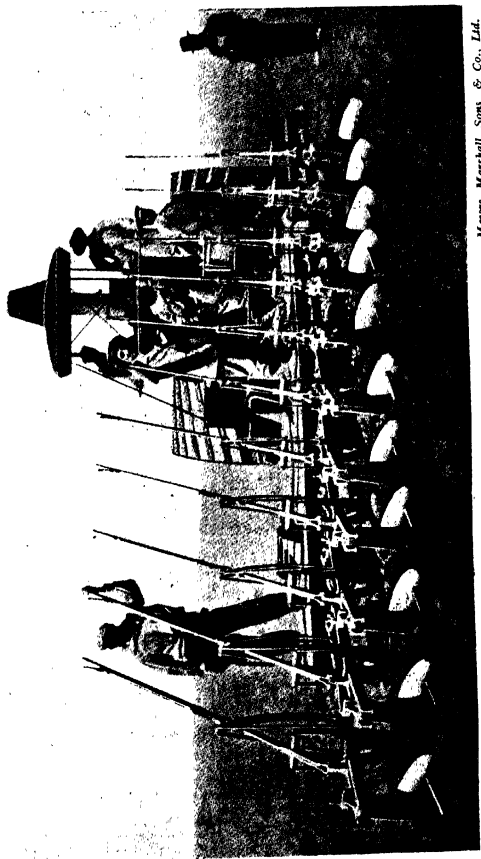
*Photo by*

*C. Reid*

#### HAND-SOWING

local museum, with a fragment of wooden share remaining.

The plough is interesting, too, as one of the earliest implements for the employment of which man enlisted the service of animals, themselves also "machines" in Economics. The ox was the draught-animal rather than the horse, in these islands no less than in the East; and though the greater strength of the latter, and the success with which he had been bred and reared in England had in later centuries shown his value in farm use, yet, until close upon the beginning of the twentieth century, oxen might have been seen drawing the plough upon the South



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Downs. However, to this primitive implement, in which few alterations have been made since it was devised, motor-power is now being applied for large-scale agriculture.

The water-mill, which in the sixth century began to replace the hand-mill, and the windmill, which appeared in the thirteenth century, are alike being displaced by steam in the grinding of corn. And while improved methods of cultivation at home, and the enormous contribution of grain from the virgin cornlands of America and Australia help to supply our population with bread, day by day the researches and experiments which are carried on by men of science are gradually determining the kinds of grain best able to resist disease, withstand unfavourable weather, and yield plentiful harvests. This scientific dealing with the primal occupation of mankind, of tilling the ground for his subsistence, is quite modern. Rather more than a hundred years ago it may be said to have had its beginning, in the practice of planting turnips on the ground whose turn it was to be left fallow. This valuable root has the property of restoring to the soil some of the goodness of which a crop of grain robs it, and the discovery is one more example of the advantage to man of his gradually increasing knowledge of natural laws. It led to the practice of what is known as rotation of crops. Where, for instance, turnips, barley, clover and wheat are grown in succession, the land is less impoverished and the yield of each larger. So that the study of the chemistry of the soil is essential to an agriculturist of to-day in any country in which the population is large and of long standing.

Every year fresh additions are being made to agricultural knowledge by the experiments of men of science in most European countries. In the near future the comparatively new force, electricity, may help in quickening growth and increasing produce. In order to maintain the cultivation of an abundance of essential food-stuffs one of the great Government Departments (the Board of Agriculture),

occupies itself largely with the encouragement of good farming. It gives useful information as to crops, weather, and treatment of soils, collects details of experiments as to the draining, irrigation and planting of land, the destruction of insect pests, and the prevention of disease in grain, vegetation and stock. English people have learnt much from other European nations in the matter of cultivating the land for food-stuffs, especially from the French, the Belgians and the Swiss. The intelligent and persistent industry of these peoples has overcome great difficulties of poor land, scarcity of water, undrained marshland and ungenial climate. From the French agriculturists and gardeners we have borrowed the system of "intensive" culture, or the supplementing of natural conditions with the most energetic provision of artificial aids. Such include strong fertilizers, glass shelters, protection against changes of temperature, and the application of chemical stimulants. It is to be regretted that much of the highest skill and greatest pains in this method have been bestowed upon the production of not merely early crops, but also out-of-season growths. This kind of extravagance is, as we shall see later, a double offence against economy, or the right ordering of resources.

It is a matter of urgent necessity, and by no means only one of scientific interest, that ways shall be found, both on a large scale and on a small, of increasing the food production of all European countries. For, apart from the loss and destruction caused by the World War, there is an ever-increasing number of people in the habitable parts of the globe who depend for sustenance upon the fruits of the earth. And, though in a sense the area of the land at our disposal for cultivation cannot be increased, yet by reclamation of barren wastes, draining of fens and marshes, and the taming of forests, the amount of soil that can be serviceably cultivated is far greater in modern Europe than in earlier ages. Also by improved methods, as, for example, the substitution of rotation of crops for the "fallow"

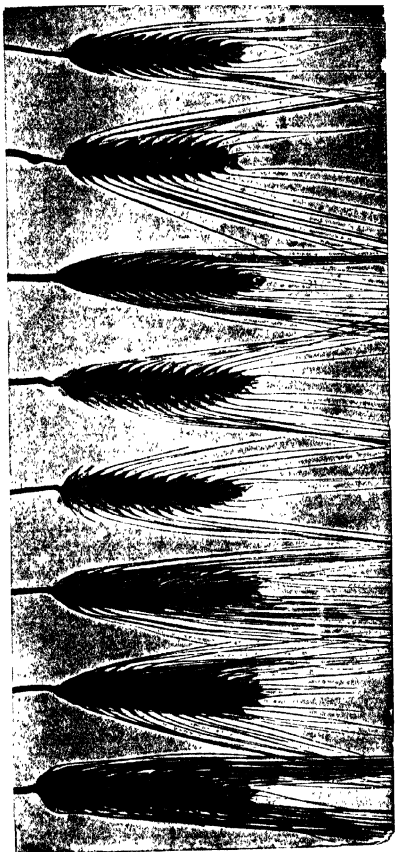


Cultivated Wheat on the Left. On the Right, an Ear produced by crossing cultivated wheat with wild wheat.

principle, and the destruction of noxious growths, large additions are made to the yield. Still, in all kinds of land there comes a time when, however much is expended upon it in labour, fertilizers, and careful management, the *return is not increased in proportion*. This is one of the fundamental economic laws of which we shall hear more later.

It is evident that, as farmers and agriculturists have themselves to make a living while engaged in production for the whole community, when the expenditure upon more "intensive" culture becomes so high as to be unremunerative it will be given up, and smaller crops and those more easily grown be the rule. But always in a civilized country each generation must be careful in the use of the soil; not spendthrift in exhausting its fertility and restoring none.

We are told by American observers, who are accustomed to vast spaces and enormous fields, that the English feature of small enclosures surrounded with luxuriant hedges, is an extravagance in the use of the land which will have to be given up. This is being done on large farms to a certain extent, but if



THE CHANGING OF TWO-ROW BARLEY INTO SIX-ROW BARLEY : A RESULT  
OF CAREFUL CULTIVATION AND CROSSING

it became general the country would lose that garden-like appearance which is so charming when seen on a railway journey.

In a previous chapter we saw that in early England each village community, and almost each household, grew a little of everything it wanted. As the centuries passed, however, the convenience of certain natural advantages being made the most of led to certain parts of the country being chiefly devoted to one form of production and others to other forms, with a general tendency to cultivate less land for corn and to give up continually more for pasture. This had two marked effects: one the increasing value and improvements of stock and the growth of dairy farming, and the other the increasing dependence of the country on imported corn. As a result, the rural districts became more and more thinly populated, there being much less work to be had on grazing farms than on corn-lands, and the towns more and more crowded. Bread was cheap, for Russia, America and Australia supplied luxuriant crops of grain, and the shipping trade thrived on the bringing in of wheat and the carrying out of our manufactured goods.

It seems, on the face of it, a wise method to grow things where it is most convenient, and to exchange with other countries the things we can most easily produce for those which they can most easily produce. But during the Great War it was shown that there was peril in being dependent upon distant countries for bread, the most essential necessary of life, unless a state of peace prevailed. Hence, the policy of Great Britain during the past hundred years, of the free importation of corn at cheaper prices than those at which British farmers can grow it, is being revised. Readers of history will remember the account given of the hard struggle about the Corn Laws in the first half of the nineteenth century. The whole story is of great importance in our economic history and we shall have an opportunity of discussing it presently. Just now it is an accepted principle that as much corn as possible

shall be grown in our own islands, for the two-fold reason of preventing our entire dependence upon outside sources ; and of restoring to our rural population a means of earning a livelihood in useful production.

Scientific research has been successful in strengthening and improving the breeding of animals kept for food, as



A HEREFORD BULL

well as the growths of the soil. The gaunt oxen of early England have disappeared as well as the muscular sheep. In various parts of the country famous strains of flocks and herds are among our agricultural wealth, some of them well known by name even to townspeople. We may occasionally see announced the sale of a high-bred sheep or a lordly bull for several hundred pounds. Our ancestors used to kill off most of the stock at Martinmas, and salt



it down for food, since they knew hardly any ways of preserving fodder for the creatures' winter food.

During Tudor times there began the change in the face of the country which was to become so marked a feature in later days—the wide extent of land turned over from arable to pasture. Then, too, began the great system of manufacturing goods for foreign trade, and the growth of



A SOUTHDOWN RAM

towns as centres of industry. Spinning, weaving and dyeing of cloth, the worsted trade, and the beginnings of linen and silk-weaving gave employment to hundreds of people in the villages near the important towns. The now smiling Weald of Sussex was the Black Country, the centre of the iron manufacture, whose furnaces, or "bloomeries," were fed with the forest timber of the district.

But the majority of English people were still "country people," and the work of agriculture and farming was

their chief occupation. It was in the middle of the eighteenth century that the great transition began to take place which has resulted in our becoming a manufacturing instead of an agricultural people, and in the enormous increase in the populations of towns. The first industry in which was practised the "machine" principle, afterwards so marvellously developed, was weaving. This was closely followed by—indeed, it compelled—the improvement in spinning which expanded the single wheel into the "spinning jenny." One invention of a detail followed after another, and before the end of the century the application of steam-power to the loom had changed the ancient handicraft of weaving into a machine process. Before long the old-time women's occupation of spinning, and the cottage industry of weaving, had become parts of that complicated whole known as the textile manufactures.

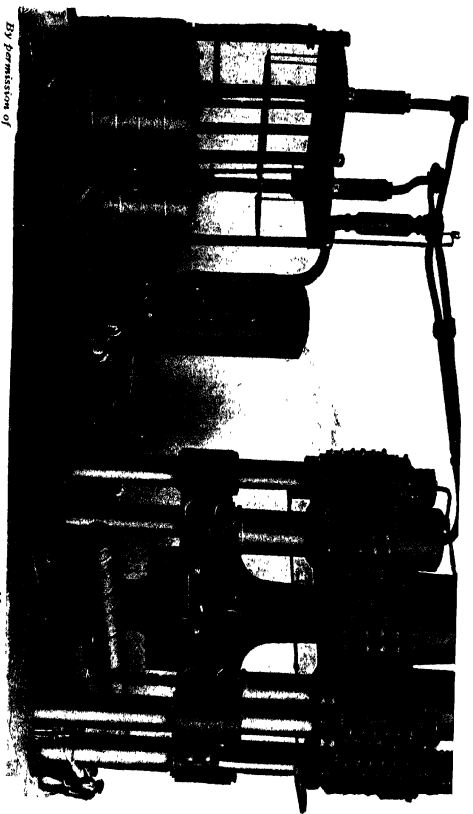
During the same period the threatened exhaustion of timber for iron-smelting had brought about experiments with coal as fuel for the furnaces, and their success resulted in the migration of the iron industry to the neighbourhood of the coal-fields. Similarly, it was more convenient to build factories for the steam-driven machines near the coal supply, and hence the rise of our great manufacturing towns, and the decayed villages of East Anglia, the former centre of the woollen and worsted trade.

The use of steam for stationary engines was followed by its application first to small vessels called "steam packets," and then to wheeled wagons running on rails. The most sanguine lover of innovations believed that this 'perilous' form of traction would be used only for minerals and goods, but out of it has grown the railway passenger system of the world. The network of railways which mark the countries of Europe, and the long stretches which connect great ports and trading centres in the New World, such as the Canadian-Pacific, have been the chief instruments in the extension of world communication and world trade. The greater speed possible than that of

water-borne traffic has attracted freight and cargoes which would otherwise have been carried in vessels and barges along the rivers and canals, and by sea along the coasts. They have attracted, too, the passengers who in earlier days travelled by road, and have absorbed labour and energies from many industries. Hence, towns once important and populous, and districts once busy and active when on the high roads of the mail coaches, are quiet and comparatively forsaken if the railway did not come their way. And in England the many waterways which early enterprise had cut and constructed have become almost deserted.

Now we see a possible reversal of the conditions of things of the past eighty years. The discovery and mastery of petrol as motive power have brought about the restoration of road traffic, and the motor vehicle rivals the railway train. The use of the automobile, however, threatens to complete what the steam engine began—the declension of the breeding of horses for traction. With the introduction of electricity-driven vehicles we perhaps have the beginning of a new era, not only in transit but in the conditions of life generally. For, though steam-power produced by coal has accomplished more than the strength of ten generations of human and animal muscles could ever have achieved, the “coal age” has added immensely to the dirt, and hence to the unproductive labour of cleaning, of all our surroundings, possessions and persons.

With the dawn of the era of coal and steam-power, enthusiasts believed that civilization had entered upon a period of brilliant progress and unexampled prosperity. And we have to acknowledge that without them, or if some other country had been foremost in using and developing them, England would not have become, as she did become, the workshop of the world. But the results of the enterprise and inventions have not been all gain. Though many people have become rich, many are still so poor that they hardly benefit from the increase of wealth.



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The crowded houses of the poor districts in London and provincial cities, and the unfit dwellings of the mass of the workers in the industrial centres have told seriously against the health and strength of the people as a whole. In classifying vessels the *Shipping Register* has a method which enters the fine and seaworthy craft as A1. During the war, when recruiting for the Army was being pressed most urgently a somewhat similar method was adopted for placing the fit and the unfit. The men who could be of no possible use in the fighting line through their physical defects appeared in class C3, and it was with a shocked amazement that England learned how many of her sons were thus entered.

Although steam-power has relieved human workers of much hard muscular effort, it has also often involved unhealthy, disagreeable and dangerous conditions. The heat and noise and foul atmosphere of foundries and factories ; the handling of fast-driven machinery ; the use of injurious or even poisonous materials in some manufactures ; and the monotony and strain of the task of keeping time with the machinery, are disadvantages which must be recognized when we are considering economic progress.

*The return is not increased in proportion.* The economic expression of this is the *Law of Diminishing Returns*. It states an observed tendency, or set of consequences, and is thus illustrated by economists. A cultivator may spend an additional £5 (say) on labour (in digging, hoeing, watering, etc.), fertilizers and special preparations (as against insect pests) for his plot of ground and find that his crop is greatly increased and sells for £10 more than that of the previous year. Evidently this is a considerable increase of gain. Suppose he determines to bestow a further £5 worth of additional care upon it in the succeeding year, making altogether £10 extra, he may find that the increased crop brings him in £23 more than in former years, and this rate of increase may continue through a succession of years.

But presently there comes a time when for each *additional* £5 spent upon the land the crop yields rather less than the previous year. When this moment arrives the cultivator should cease to increase his expenditure, and the return that just repays him for it is the *marginal return*. If we call the various applications of labour, etc., *doses*, the one which produced the *marginal return* may be called the *marginal dose*.

### NOTES AND DEFINITIONS

*Intensive Culture.* The bestowal of care, labour, and appliances to counteract ungenial weather, enrich soils, foster growth and to exact the utmost produce from any area of ground.

*The Corn Laws.* The first Corn Law in our country was passed in 1360; it forbade the *exportation* of corn except to certain places abroad. In 1463 was passed the first law forbidding the *importation* of corn except when the home-grown product was above a certain price. During succeeding centuries *exportation* was at first discouraged by taxing and afterwards encouraged by bounties; and *importation* was also regulated. In the eighteenth century *importation* was forbidden unless the home price was very high. From the opening years of the nineteenth century, and later, through the dearth due to the Napoleonic Wars, England saw many bread riots, and strong efforts were made to lower the Corn duties on imported grain. Not until 1849, however, was the tax, and thus also the laws regulating it, abolished in practice.

*The Textile Manufactures.* The making of fabrics from wool, cotton, flax and hemp, and their waste products.

*Iron-smelting.* Remains of the old iron industry have been found in the shape of the hearths of the furnaces in Sussex and in Lancashire. The ore was smelted on the borders of Coniston Lake and the iron conveyed down the lake in flat boats late in the fifteenth century; and the many ponds in Sussex are believed to be the flooded remains of diggings.

### Questions and Exercises

1. Make a list of tools which you consider useful and ingenious. Classify some under the headings: (a) ancient, (b) modern.
2. Define a "machine." Write a description of the most interesting one you have seen.
3. Describe some agricultural experiments in the growing of: (a) corn, (b) vegetables.
4. What would you expect to find exhibited in an agricultural show?
5. Draw or describe a fine locomotive engine or a motor-lorry. What is its chief feature: (a) mechanical, (b) economic?

## CHAPTER IV

## DIVISION OF LABOUR

*"Cheapness is not the only advantage procured for consumers by the introduction of expeditious methods. They gain generally a greater perfection in the products."*—SAY.

WITH the introduction of machinery and steam-power there took place also a striking development of the principle of division of labour in manufacture. Ever since, there has been an almost continuous increase in the number of different processes, each undertaken by a separate worker, which go to complete even a simple article. Every one is familiar with notices and advertisements requiring "coat-hands" in tailoring; machinists for "uppers" in boots and shoes; "felling hands" for costumes; and "finishers" in many branches. And in the making of metal goods, turnery, household appliances and, indeed, everything we use, the same method is employed.

Rather more than a hundred years ago the first great British writer<sup>1</sup> on economics told very effectively what advantages belonged to the division of labour in pin-making. The making of a pin was then distributed among eighteen workers. "One man draws out the wire, another straightens it, a third cuts it, a fourth points it. Three others make the head, yet another puts it on; still another whitens the pin, others polish and finish it. Another counts and sorts the pins, another packs them.... If *one* worker were to do the various operations he would not, even if he were expert, make more than ten pins a day; and so the eighteen men could make but 180 to 200." But with the distributed tasks about 20 lb. of pins can be made in a day; in each pound are about 4,000 pins. Thus, instead of 200 pins there are produced some 80,000.

The writer then pointed out the advantages that attend

<sup>1</sup> Adam Smith.



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## CLOSING UPPERS IN A BOOT AND SHOE FACTORY



division of labour : first, increase in dexterity ; then, the saving of time in not having to change from one occupation to another ; and next, the attention paid to each detail which often has resulted in the invention of a machine to perform it. And there are many other advantages ; a principal one being the economy of keeping each worker employed at the highest work he can do. An economist of to-day<sup>1</sup> writes : " In a great factory there are needed workers of (a) distinguished strength ; (b) dexterity of touch ; (c) alacrity of vision ; (d) accuracy in calculation. It is obvious that we gain in not having one man combine the duties of porter and clerk, or of threader and engineer."

The most striking of these various gains that attend division of labour is the increase of dexterity that comes with frequent repetition of the same action. An old proverb reminds us that " Practice makes Perfect," and the skill in handwork, accuracy in judgment, and development of sensitiveness in touch and sight that specialized workers exhibit is amazing, and amounts almost to the possession of another sense. Again, according to the task, the kind of dexterity differs. A popular descriptive word for such used to be "knack" ; and evidently a very different "knack" is required in threading silks, or rolling cigarettes, from that of carrying a sack of flour, or that of adding up three columns of numbers simultaneously.

But there are drawbacks which the early writer did not recognize. One is that to do the same thing continually is monotonous, and more exhausting to the nerves and spirit of the worker than harder but more varied labour. Another is that the highly specialized skill is a very limited possession ; it cannot easily be used in another employment. A proverb of our grandmothers' days made light of the person who is always changing his occupation ; he became a " Jack of all trades and master of none." The factory worker of the modern world is apt to become a " Jack " of just a little bit of a trade, " and master of

<sup>1</sup> Marshall.

none." The almost incredible speed and deftness of the man who spends all his working hours in, say, sharpening the point of a needle (with a machine), or in boring eyelet holes in the uppers of boots and shoes (also with a machine), cannot suddenly be turned to good account in another form of work, should he lose his employment.

And yet another drawback to the extreme sub-division of labour is that no worker ever enjoys the satisfaction of seeing the article grow, under his care and skill, to a finished piece of goods. The pride and delight of the diligent craftsmen in "making " something cannot be his who contributes only an infinite number of some small detail ; so that his skill is more like that of a machine than of a human being with intention and will, and is apt to deaden his intelligence and his higher faculties.

These disadvantages of the system are now better understood than formerly ; and, though for the sake of national trade and prosperity the machine-production must go on, many improvements are being devised to remedy the ill-effects. *Shorter hours of labour*, so that the worker may have leisure and opportunity to choose and practise some other form of activity, some pursuit or hobby which can give pleasure in its exercise ; *better and longer school education for the young*, so that the intelligence shall be developed and the physical strength built up before entering upon continuous mechanical employment ; *the grouping of successive operations and processes*, so that the worker may master at least a few beyond the single one in which he becomes an adept, thus enduring less monotony when in work, and having a better chance of finding new employment when it fails.

This peculiar feature of extreme sub-division of labour belongs to manufacture and hardly at all to agriculture. The introduction of machinery for land cultivation, and for many of the processes of dairy work, has lightened the labour of men and women without tyrannizing over them. And from the nature of things agricultural operations have

to go on successively, according to season and weather. Nor, except on very large farms, can a man be employed all the year round, and every working day, on precisely the same occupation. A shepherd or a cowman, a carter or a hedger-and-ditcher, has each some variety in his work, and on small farms may combine the duties of all four. And no farm-worker can be only a ploughman, or only a hay-maker, hence most can become skilful in several different ways.

It is a part of order and seemliness that there should be separate offices, and that human beings should arrange their tasks according to convenience and fitness. Only when the "differentiation," as it is called, is carried to an extreme is there any mischievous effect. It will occur, perhaps, to some readers that in household economy, the department in which economics became a subject of study, there is little opportunity for minute division of occupation. In the houses of wealthy people there are many servants who are highly trained in certain limited kinds of work. As bailiff, steward, housekeeper, personal attendants, cook and kitchen subordinates, butler and table subordinates, housemaids, nurses, etc., the skill acquired is considerable and its exercise adds immensely to the comfort and dignity of life. But in the ordinary house, and in the homes of the majority of workers, things are very different. There, the mistress of the house has no opportunity of becoming singularly expert at any one task. While the husband may be spending all his working hours in controlling a machine which makes eyelet-holes or polishes buttons, his wife is cook, nurse, laundress, housemaid and seamstress in one.

Yet the modern housewife has fewer domestic accomplishments than her predecessor of early times. Then she was brewer and baker as well as cook, and she spun the fabrics for clothes as well as made them. And when brewing, the first perhaps of women's trades to be taken over by men and done on a large scale, had passed from her



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## A COTTON WEAVING SHED

realm, she distilled flowers and decocted herbs for perfumes and medicines, made wine from every common fruit and some vegetables, and compounded "jams" of many kinds. The "still-room" and "still-room maid" were until lately occasional survivals in great houses of these elaborate by-ways of cookery. If we sometimes wonder how it is that so many interesting branches of home industry have been lost, and how the time that they took is spent, we



OLD HAND-LOOM



A SPINNING-WHEEL

have the explanations in the social changes that have taken place since the Industrial Revolution. Then, as we saw, the village and household industries were gradually transferred to factory and power working, and women, as well as men, went out of their homes and became wage-earners and "hands" in the employ of factory-owners. As the years passed, not only the making of fabrics, and fashioning of foot-gear and clothing were undertaken, but also the preparation of food-stuffs and condiments. Pickles, preserves, sauces and all kinds of table delicacies were made, packed and distributed by firms of manufacturers,

This development was largely necessary and inevitable. For the population of the country were rapidly becoming town-dwellers, living in closely packed houses with little space within and no out-houses, and few of the conveniences and fittings for the old "home-made" articles, either for the actual preparing of them or for storing them when made.

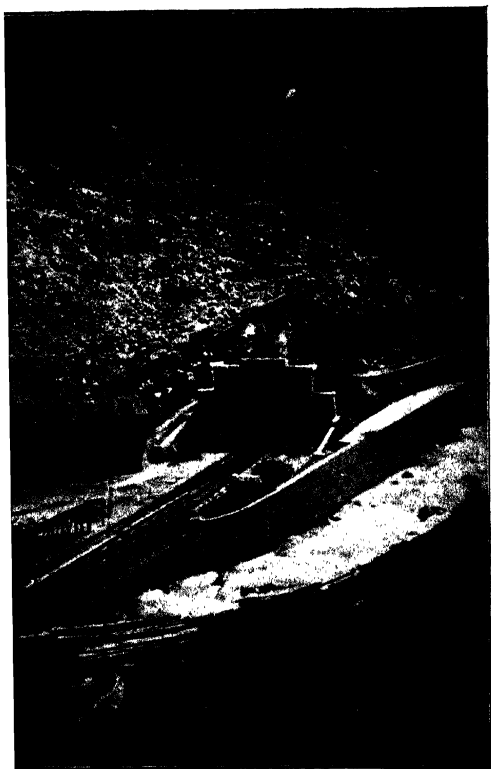
The second explanation is that under our modern conditions of life a quite disproportional amount of time has to be spent in cleaning : cleaning our clothes, belongings and houses. The general use of coal as fuel, both for domestic fires and manufactories, and the pollution of the air by its smoke and the fumes from many unpleasant materials have made our modern towns extremely dirty. Then, most houses are far too full of possessions for ease in keeping clean ; besides necessary furniture and desirable ornament, we most of us permit ourselves to be crowded up with entirely superfluous objects which fill space and collect dust, so that an incessant and wearing conflict goes on between their possessors and the "matter out of place" which they attract, consuming much strength and effort and preventing useful production. Then great fortunes are made by the makers and dealers in soaps, chemicals and preparations for cleansing, and the implements with which to apply them. Besides these there are numbers of other firms employed only in cleaning clothes, fabrics and materials beyond the scope of home treatment, to say nothing of the innumerable laundries. As a writer on economics<sup>1</sup> has well said : "The services of the laundries are not an addition to the wealth of the country ; they are part of the cost of securing the addition to the wealth of the country made by the use of coal." We may add to the "services of the laundry" all the rest of the materials, implements and labour which are expended on removing dirt.

Besides the division of labour in increasing production there is also to notice concerted labour, which is equally

<sup>1</sup> H. Clay.

effective, and is, indeed, only another aspect of the great principle. The simplest instances are those in which two or more men pull or push simultaneously and accomplish a movement which their separate efforts could never have brought about. Another instance may be seen in the pencil-making trade of Cumberland (mentioned in Chap. II); for the finished pencil handed to the purchaser is the result of the concerted labour of timbermen in Bavaria, miners in Belgium, dock porters, seamen and railwaymen, and the factory workers who put together and polish the pencils. And it is concerted labour when, in any industry, different workers are employed on different processes, or on different parts of the object, the parts being afterwards collected and put together. Lovers of natural history will remember that bees have a wonderfully developed instinct for division and combination of labour. The denizens of the hive are arranged in castes, as rigid as those of some old human societies, according to the services they perform. But they have not devised tools and hence can accomplish no more than their early ancestors. Ants, on the other hand, though immensely energetic and industrious, apparently lack the instinct for organization of their industry, and two of them will vigorously pull at a twig in opposite directions.

One of the most triumphant examples of the marvellous power of divided and concerted labour is to be seen in railway engineering. Enormous excavators, cranes and engines assist an army of navvies in removing tons of earth and rock; enclosed air-chambers and caissons carry and preserve the borers of tunnels; calculators in an office miles away make reckonings and estimates from measurements and surveyings; overseers translate these into terms of boring, digging and placing, and strong workmen armed with ingenious tools carry out the instructions. Cases have been known of boring parties beginning at opposite sides of a mountain and meeting in the middle with their "cuttings" only a few inches out.



*By courtesy of the*

*Swiss Federal Railways*

THE NORTHERN ENTRANCE TO THE ST. GOTHARD  
TUNNEL, SWITZERLAND



No less remarkable is the increase in amount of goods produced when work has been distributed and combined, or "organized" on a large scale, and that with comparatively small addition to cost. One clerk, for instance, is soon necessary in any but a tiny business, yet often a considerable increase in correspondence and accounts does not more than fill his time. Once the delivery of articles sold is beyond the capacity of a few foot-porters, a motor vehicle can as easily deliver twice or thrice the number. And so on through the various departments of a business. But much care and intelligence are necessary to keep a due proportion in expanding any side, and to make the actual "paying goods" increase in sales. This is part of what is known as "business management," the work of heads of firms and departments, superintendents and managers. In very few industries to-day do we find that the concern is the property of one man and controlled and run by himself. The advantages of combination in responsibility led first to partnerships, then to associations of several individuals, and next to companies. Of these developments we shall see more later.

There remains to be noticed the fact that when an industry, say, biscuit-making, is well established and in a large way, numerous other industries grow up around it, which supply most of the necessities for finishing off, packing, and distributing the product. These are known as "subsidiary industries." If the business is highly successful and ambitiously organized, it is probable that the owners will (in this case) also possess and control some of the earlier processes, as their own mills for grinding and mixing the various kinds of corn; perhaps, too, their own sugar refineries, farms and dairies.

When the advantages of this division and combination of labour were at first realized, it was believed that always, and to any amount, further sub-divisions and more careful concert would increase the returns in comparison with the costs. And it is a true conclusion up to a certain

point ; a much higher point than that in which rate of remuneration exceeds rate of expenditure in the case of agriculture. But even in manufacture there comes ultimately an "intensity of cultivation" beyond which the returns are proportionately less. Perhaps it would not be so if only machines were in use ; but the human element has to be taken into account. There comes a time when even the most gifted managing director has as much as he can cope with ; when the multiplication of departments has placed responsibility on many, with large opportunities for faithful service, but also many possibilities of fraud ; when the mechanical regularity of detail work saps the energies of the "hands" ; and when the very size of the undertaking and remoteness of its purpose from their own impairs their good will.

## NOTES AND DEFINITIONS

*Division of Labour.* This is part of industrial organization ; so called because, as in the animal body each organ has a particular function, or duty to perform, so in the great work of production different sets of people are arranged to fulfil separate tasks. Another aspect of industrial organization is the carrying on of special forms of production in particular places. This depends first and chiefly upon physical causes : climate, soil, minerals, nearness of water, etc. ; and when an important industry is established numbers of others, known as *subsidiary*, grow up around it. These minor trades are usually employed in using up the waste or scraps of the major one, or in making some useful article needed in its finishing or packing.

## Questions and Exercises

1. In what forms of labour known to you is each of the following the special requirement : (a) distinguished strength ; (b) dexterity of touch ; (c) alacrity of vision ; (d) accuracy in calculation ?
2. Discuss the advantages and disadvantages of the farm labourer's work compared with that of a factory-hand.
3. Give some examples of concerted labour : (a) in time ; (b) in place ; (c) in effort.
4. Name some great stores which possess their own tea, coffee, and sugar plantations ; farms and dairies ; orchards and pasture land.
5. Collect some instances of great engineering undertakings and of localized industries. Do they circumvent or profit by physical conditions ?

## CHAPTER V

## EXCHANGE AND TRADE

*"Bartering one thing for another is called exchange. . . . The practice of exchange constitutes commerce, which is carried out by a whole class of men who, from dealing in merchandise, are called merchants."*—LIBERATORE.

IN studying the WHY, the WHERE and the HOW of production we have seen already that *why* man joins his labour to nature's gifts is that he may live ; and that *where* goods are produced depends first of all upon the physical character of the country or the district. The progress of science has enabled man to transfer natural products from one land to another, to "acclimatize" and improve them. But it is sometimes impossible and often inconvenient to supply by artificial means in one place conditions which are natural to another ; so that though only few of the many materials and objects used in our daily lives are the *exclusive* products of some particular place, yet many are much more favourably grown or prepared in special localities than they can be obtained elsewhere. Also, when care and thought are bestowed upon the cultivation or making of things under suitable conditions an increase in the amount produced invariably follows. When this can be "exchanged," that is, sold to those who cannot themselves produce it, the industry grows and wins, not only profitable returns, but often a high reputation. Many instances will occur to the reader of such distinguished "localized industries" in our own country. The clotted cream of Devon and Cornwall, the cheeses of Gloucester and Wiltshire, the hams of Yorkshire, the honey of Sussex, the ales of Burton-on-Trent, and the fruits of Worcester. In manufactures the same holds good : Manchester cottons, Belfast linens, Honiton laces, Leicester hosiery,

Northampton boots and shoes, Wilton blankets and Kidderminster carpets are instances.

Some of these industries are of very old standing and have grown and become of wide reputation through the greater ease of communication and means of transport. Waterways and railways, good roads, a swift (and formerly a cheap) postal system, telegraphs and telephones have, during the past hundred years, brought us all nearer together, and made possible the sharing by a large number of the special products of favoured districts. And not only is this true of inland communication. Great ships are ploughing the seas by day and night, throughout the year, laden with cargoes of goods which different nations are glad to exchange with each other. If we look round our breakfast and dinner table every day for a week, and make a list of the things we enjoy which are not grown or made in : (a) our own country ; or (b) our own neighbourhood, we shall realize how great a share "transport" has in contributing to production.

In a way, we may regard our whole shipping and land transport as a greatly multiplied merchant. It is evident that directly a community has passed beyond a very primitive economic stage, there is needed a third person between the producer (here) and the consumer (there), whose office it is to *move* the product from the one to the other. This person is the merchant (a name of honourable antiquity) or dealer.

Ruskin in his interesting little book on economics, *Unto This Last*, points out that "five great intellectual professions, relating to daily necessities of life have hitherto existed in every civilized nation: the soldier's, whose profession is to defend it; the pastor's, to teach it; the physician's, to keep it in health; the lawyer's, to enforce justice in it; and the merchant's, to provide for it." Speaking generally, the method of the merchant's business is to buy in large quantities and to sell in smaller; and, indeed, in modern times his province has become controlled

by that great principle of division of labour, and there are understood to be two classes of merchants: those who buy and sell in large quantities only (wholesalers), and those who buy in large quantities and sell in smaller (retailers). Lovers of history will remember what an important and interesting part the merchant has played



THE WEST INDIA DOCKS

in England. Chaucer shows us his portrait of five centuries ago, "with forked beard" and "on his head a Flaundrisch beaver hat," evidently a travelled man, as merchants were wont to be. The English people learned much of wise trading from the Flemings, and had their earliest foreign trade with Flanders. Like the craftsmen of mediaeval times they formed associations, or guilds, according to the nature of their wares. The Merchant Taylors' School

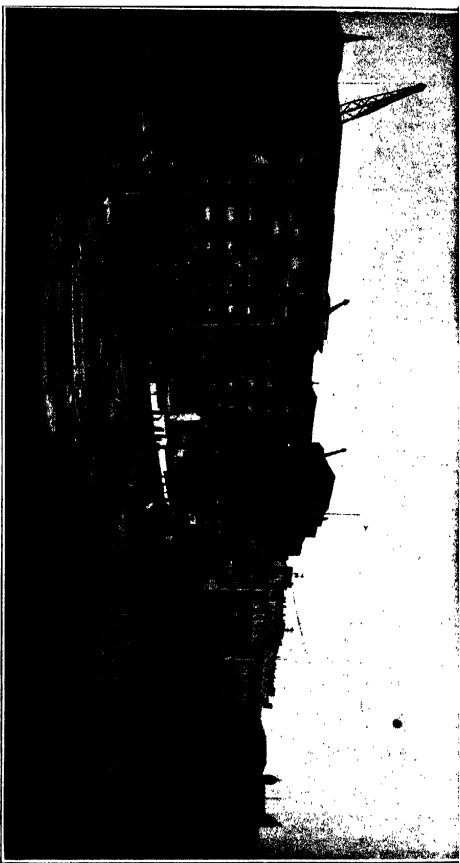
reminds us of one of the most famous and important of these guilds, that of the cloth merchants, of whose foreign "House" in Bruges, Caxton was warden.

In those distant times the merchant travelled in person, by water or by road, carrying his goods with him. When his dealings were on a very small scale he was known as a pedlar, and in pre-railway days this class of merchant was a very welcome caller in remote villages and mountain glens. He was not only a substitute for shops but also a bringer of news from the outside world.

We said that "transport" might be looked upon as a greatly multiplied merchant; and it will have occurred to some readers by this time that between the producer and the consumer there come far more than *one* merchant. This is true of goods produced in our own country, and, of course, is inevitable in the case of those imported from abroad. There is a sound of condemnation in the modern name for them, middlemen; and their services are sometimes supposed to cost more than they are worth. This is because in many cases the product is bought *as a speculation* with the intention of selling immediately for a higher price. Suppose that an orchard in the west country is full of trees laden with apples; and that in a large town a hundred miles away are numbers of people (and children) most desirous to buy apples, with none in the market. An enterprising dealer knows that this situation occurs somewhere every year, so on hearing of a good crop he approaches the owner of the orchard and makes an offer to purchase the whole crop of apples on the trees as they stand. The owner will probably come to terms as he will thereby be saved much trouble and risk. The dealer arranges for the picking and gathering of the fruit, and offers "large consignments" to wholesale fruit merchants. Suppose the such merchant buys (say) half the crop; of course the price will be something more than the dealer paid for it. The wholesale fruit merchant next sells quantities to retailers; again at a profit on the price he paid. The

customer on buying from the retailer is paying for the convenience of having the apples in his basket instead of in the west country, *as well as* for the apples themselves. And at this he should not grumble. But if and when he knows of the unnecessary "dealer" he complains; and when, as is frequently the case, still more speculating "dealers" intervene, and the standing crop is sold over again, and the total fruit gathered over again, it is evident that the convenience of the producer and the consumer has been made the occasion of, not merchant-like, but mercantile proceedings.

The oldest and simplest way of bringing together the producer and the consumer, the seller and the buyer, was by holding a market. We still keep the custom, though the market has lost its old-time importance in an era of shops, and the housewife going to them for her stores on any day still "goes a-marketing." Many almanacs give a list of the market towns of England and Wales, which are still to a certain extent the centres of distribution of the produce of the district. Some are almost entirely for one kind of merchandise—wool, or corn, or sheep, or cattle—but also afford opportunity for the sale and purchase of other produce and the various small wares needed in daily life. The weekly markets themselves are the outcome of the more ancient yearly "fairs," whose faded glories get dimmer year by year, but once were most important economic features of English social life. They were the occasions of assemblages of people from far and near, when merchants and merchandise, home and foreign, were gathered together. Abingdon Fair (near Oxford) and Stourbridge Fair (near Cambridge) were of European fame, ranking with Strasburg and Novgorod; so were Bristol Fair and St. Bartholomew's, London. They were strictly regulated; bargains were to be made openly, and money transactions required a witness. Their business side overshadowed the merry-making, though the latter is what we now connect with their degenerate descendants. An



WAREHOUSES ON THE THAMES



old proverb illustrates the economic importance: "Men speak of the fair as things went with them there."

In contrast with the periodical gatherings of the past we are reminded that "with the modern development of means of communication traders need not be literally assembled to make a market; they may be scattered over a whole large town or over a region of country, if by means of the post office, telephone, telegraph and published price lists, they are in close communication. . . . Many modern markets are continuous in time, only interrupted by Sundays and holidays and night-time."<sup>1</sup>

Londoners, at least, are fully aware of the continuity of markets, since daily (except on Sundays) and nightly is the provisioning of the great capital carried on. Brought by water and road and rail, vast supplies of meat, of fish, of fruit and vegetables, are gathered in the separate "markets" of the metropolis. Covent Garden (the site of the Convent Garden of the Benedictine Abbey of Westminster), for the fruits of the earth; Mark Lane, for corn; Billingsgate (an ancient water-entry into London in the days when the Thames was its great highway), for fish; and more than one unloading centre for meat, are busy scenes while most of the mighty City's inhabitants are asleep. Through the hours of the night huge vehicles have converged by rail and road; and with early morning the supplies are distributed among hosts of wholesale and retail dealers, who bear them to every quarter of London, and from stores and counters the millions of households replenish their larders and cupboards. A century ago many of the districts which are now entirely built over were covered with the "market gardens" which supplied London with vegetables, fruit and herbs. But with the growth of the capital these have been pushed farther and farther out, and their produce supplemented by rail-borne supplies from far down in the Midlands.

To the town purchaser, however little aware he, or

<sup>1</sup> Devas



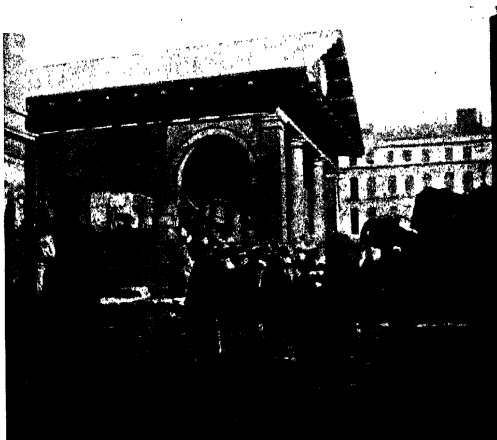
A CORNER OF SMITHFIELD MARKET, LONDON'S GREAT MEAT EXCHANGE

she, may be of the various services contributed to bring the cabbage or fish or joint of beef within her reach, she is bound to know one point concerning it, viz., the "market price." This term, of such simple and yet significant meaning, asserts the great feature of these assemblages of goods and traders, that "there cannot be two prices in the same market." Whatever sellers (producers) or buyers (consumers) may desire, as to the returns for their labour or equivalent for their payment, once brought into contact with each other, and many of each kind, there comes into action a force which determines the price. This is known in economics as DEMAND AND SUPPLY, and it expresses the wish of both buyers and sellers to exchange some goods which they possess for another which they want. If several people at the same time and place desire to sell calves, or cabbages, or eggs, or meal and only few wish to buy, probably rather than carry home their produce the sellers will agree as to the lowest price they will take. Or it may be that the most reckless will determine to get rid of his goods and so offers them cheaply; the others must evidently accept the same as no customers would pay more if they could buy the goods without doing so. This condition is described as *supply exceeding demand*.

On the other hand, it may happen that many people have come to market bent upon getting quantities of those things and find but few offering them for sale; then in order to secure what they want some will offer a higher price. Then, again, as no seller will take less than he must, each one who has such things for sale is able to ask more, and the condition becomes that of *demand exceeding supply*.

Perhaps a reader is wondering "What is the point of price from which the start is made?" To which we reply that it is "that which at least covers the cost of production." This sounds easy, but we have to remember that the little word "cost" includes not only the value of the time and money and labour required to produce the goods, but also

the sacrifices made by the producer in not doing something more congenial, or in not consuming, or using, the goods himself. Apart from this, we should expect goods which required much labour, or a long time, or special skill, in



*Photo by*

*Brunell*

## CORNER OF COVENT GARDEN

This is London's chief Fruit and Vegetable Exchange.

getting ready for market would cost more than those produced easily.

Economic history shows that in earlier times constant efforts were made by kings, and governments, and guild authorities to fix upon a "natural price," or "proper price," and that honourable traders expected to get little more or less than this in open market. This "covering cost of production price" varied according to the variations

of supply and demand, oscillating or swinging above and below it, according to the "higgings of the market," but coming to rest, or finding equilibrium, at the "proper" price.

In modern times (except in the period of universal dearth caused by the war of 1914-1918) the knowledge obtained by growers and traders of the amount of produce likely to come to market, and the estimates they make as to "covering costs" serve instead of regulations by authorities. And now that communication is so easy, by telegraph and telephone, even with distant countries, no "market" is quite isolated. Indeed, all the civilized (friendly) world tends to become one market. In every daily paper are lists of quotations given of the market prices of goods of all kinds. The rubber magnate can think ahead for his next purchase and the housewife for her next joint of meat or packet of groceries, if they consult the "Produce Markets" column.

A curious feature of modern markets is that some most important and far-reaching bargains between buyers and sellers are made without any actual handling of the produce, even by sample. Mark Lane, the great corn-dealing centre, Mincing Lane that for tea, and the Liverpool Cotton Market are instances. To some earlier generations this would have seemed at once incredible and impossible, as would our system of trading with foreign countries with little or no actual payments in money. Our old English ancestors also did a good deal of trade without money, since they carried out their transactions by means of barter. This made it very clear to them, though to ourselves the truth is much obscured by money payments, that when we buy or sell we are really exchanging goods (or services) for other goods (or services). The method of barter, though convenient enough for a primitive economic state, would be very cumbrous and awkward in conditions where people have many wants and many kinds of possessions. A person having a splendid crop of plums and wishing to

exchange it for a cow would be put to much trouble in finding the right person with whom to exchange, or to dispose of his plums to various others, and present their payments in kind to the owner of the animal, and his



THE BALTIC MERCANTILE AND SHIPPING EXCHANGE,  
LONDON

All the leading shipping lines, as well as the timber, corn, grain, seed, oil, coal, and other trades are represented here

crop might be perished before the transaction was complete. But if he can first transform his plums into money, the seller of the cow, no less than himself, can get therewith other things besides plums.

And it must often have been difficult in the early days of barter to decide exactly how many sheep-skins (say) should be exchanged for a scythe, or how many hurdles

for a pig. Nor could the "price" of anything bartered be afterwards quoted conveniently; indeed, the term "price" belongs essentially to money; that is, to something which serves as a *measure*. The precise definition of "price" in economics is THE EXPRESSION OF VALUE BY A MEASURE. The term VALUE is hard to explain, like the word "time," but we understand what is meant when a thing is said to "have no value," or to be "valuable." The term value is sometimes used where price is really meant, but we can remind ourselves that they do not mean the same if we think of the adjectives formed from them, "valueless" and "priceless." Perhaps we may be content for the present to define *value* as "capacity to be desired," but in a later chapter we shall consider some of its special meanings. It is plain that *value* depends upon two things: the quality in the object which makes it desirable, and the quality in the mind which stirs it to appreciation. Ruskin in his writings on economics was sad and indignant that people, both individually and as social communities, attach value to the wrong things. He would confine the word to those things only which have the capacity to "make for life," to strengthen, when appreciated and acquired, instead of weakening and harming.

### NOTES AND DEFINITIONS

*Demand and Supply.* The one general law of demand is that: "The greater the amount to be sold, the smaller must be the price at which it is offered in order that it may find purchasers. Or amount of demand *increases* with fall in price and diminishes with rise in price."

The price which finds purchasers for the commodity measures the *marginal utility* of it to individual purchasers.

*Produce Markets.* The following is an example of quotations of prices as given in daily papers—

*Corn.* Mark Lane. English wheat 88s. to 92s. per 504 lb.  
Flour quiet. Barley dull. Oats, English steady, imported dull.  
Canadian 39s. Maize quiet. Beans and peas dull.

*Eggs.* Smithfield. English 18s. to 20s. per 120.

*Sugar.* Tate's cubes 69s. 9d. to 70s. 9d., granulated 65s. 6d. to 66s. Lyle's granulated 65s. 6d. to 65s. 9d. West India 57s. to 61s.

*Tea.* In auction, 28,000 packages Indian offered; finer sorts good demand. Fine broken Orange Pekoe 6½d. lb.

*Oils.* Linseed opened firm but eased later. Cotton firm. Palm 28s. 6d. Coco-nut 65s. Turpentine strong. Rosin unaltered. Petroleum 2s. 3½d. per gall.; Water White 2s. 4½d. per gall.

*Barter.* The direct exchange of commodity for commodity.

*Value.* The exchange value of one thing in terms of another at any place and time, is the amount of that second thing which can be got there and then in exchange for the first.

*Price.* The measure of value; it expresses marginal value, not total value.

### Questions and Exercises

1. Make a selection of six important industries or manufactures and say why they are carried on in special localities.

2. Trace to their place of production four ordinary breakfast foods.

3. Discover and name the routes of sea-borne, river- and canal-borne, and rail-carried goods from Liverpool to London.

4. What instances do you know of prices being regulated by: (a) government, (b) the manufacturers of the goods?

5. Compose an account of "market-day" in some supposed town and the supply and demand of: (a) butter, (b) eggs, (c) fruit on the occasion, with the consequent effect on prices.

## CHAPTER VI

### THE STORY OF MONEY

*Money's a matter of functions four,  
A medium, a measure, a standard, a store.*

WE are so accustomed in the modern world to money in the form of metal coins that we are inclined to think that form essential. But economic history shows that in different ages and among different peoples various things were used as "money." Furs and skins have been used as money, cattle in the early days of Rome, whence our word *pecuniary* (from *pecunia*, itself from *pecus*, cattle), cubes of tea, blocks of salt, and cowrie shells. Indeed, only twenty years ago the use of cowrie shells for money in the British Protectorate of West Africa was prohibited by the Government. These kinds of "money" were each a *medium*, or means of exchange; plentiful in the different



populations using them, and agreed upon because they were acceptable to all. But they were not necessarily *measures* of value. We read that in Scandinavia, in old times, the *medium of exchange* was corn, but the *measure of value* was cattle. There must have been some known relation between an ox and a bushel of wheat, so that a man buying an ox-worth of timber would pay for it with so many bushels of corn.

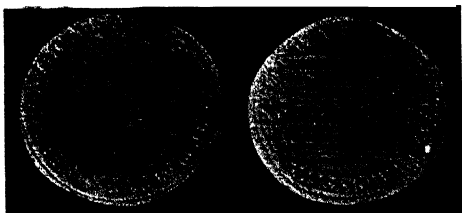
But it is a curious and rather laughable detail that the *measure of value* need not be something that really exists. John Stuart Mill, in his *Political Economy*, tells us of some African tribes who use this contrivance : " They calculate the value of things in a sort of money of account, called *macutes*. They say one thing is worth ten macutes, another fifteen, another twenty. There is no real thing called a macute ; it is a conventional unit for the more convenient comparison of things with one another." We, too, have a " conventional unit of calculation " in *per cent*, the advantage of which is the power of comparison it gives. A great financier may thus measure and estimate his gains and losses, and so may an apple-woman whose whole stock is worth only a few pence. And perhaps we may recognize a form of *macute* in the measure of value, so familiar to school pupils and examination candidates, known as marks. The exercise of one is said to be worth nine marks, of another five marks, of another two marks, and certainly these " marks " do not exist.

When at length the precious metals were gradually adopted as money they were not for many centuries in the form of coinage but were paid in weight, as in the East in the days of Abraham, who " weighed to Ephron the silver " for the piece of land bought for Sarah's grave. Herodotus, the Greek historian of the fifth century, tells us that the Lydians were the first people to have a coinage ; and the Medes and Persians are said to have had one at about the time of the great ruler Xerxes. Some peoples have had coinages of metals other than gold and silver,

notably the inflexible Spartans, who used iron money, and the early Romans, who had copper until the third century B.C., when their first silver *denarius* was struck.

The connection between weight and value is suggested in our English "pound"; and in the thirteenth century a statute of Henry III decreed that "an English penny called a sterling, round and without any clipping, shall weigh 32 wheat corns in the midst of the ear; and 20 pennies do make an ounce, and 12 ounces one pound." Mr. Mill in his discussion of the subject goes on to say: "Almost all nations at a very early period fixed upon certain metals, and especially gold and silver, to serve the purpose of money. . . . They were among the most imperishable of all substances. They were also portable and, containing great value in small bulk, were easily hid—a consideration of much importance in an age of insecurity. Jewels are inferior to gold and silver in the quality of divisibility, and are of various qualities, not to be accurately discriminated without great trouble. Gold and silver are conveniently divisible and, when pure, always of the same quality, and their purity may be ascertained and certified by a public authority." It is this *stability of quality* which makes gold and silver a *standard* as well as a medium and a measure; future payments can be estimated in it no less than present ones. And their imperishability makes them suitable, and safe, as a *store* of value; we can name hardly anything else that would not deteriorate or vary.

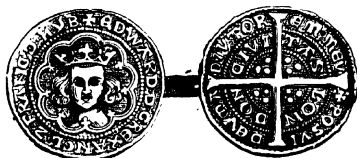
Two terms often used in connection with money are coinage and currency. Though sometimes one can be used for the other they do not have precisely the same meaning. The *coinage* of a country is the set of coins in use as money; the *currency* is any medium of exchange which is "current" in a country, and may include other forms of money besides coins. Another term in frequent use is *legal tender*, meaning "that which may be offered and must be accepted in payment according to law." Gold coinage is legal tender to any amount; silver to the amount of forty



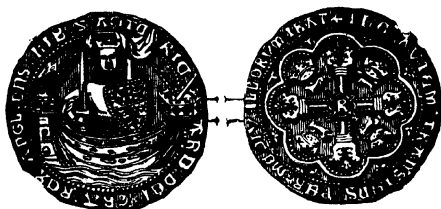
A ROMAN COIN



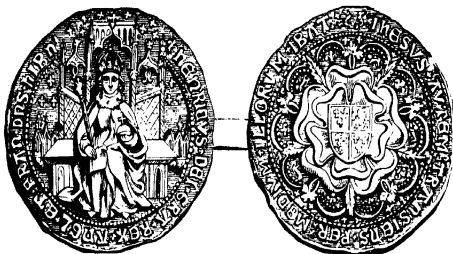
SILVER PENNY OF WILLIAM I



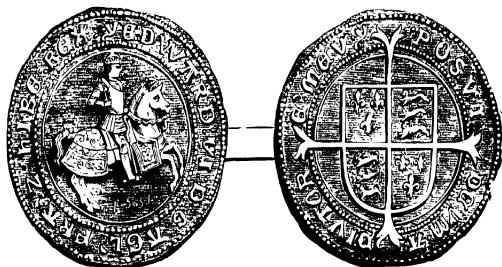
SILVER GROAT OF EDWARD III



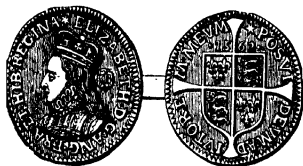
GOLD NOBLE OF RICHARD II



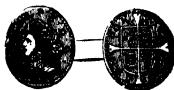
SOVEREIGN OF HENRY VII



CROWN OF EDWARD VI



MILLED SIXPENCE OF ELIZABETH



THREE-FARTHING COIN  
OF ELIZABETH

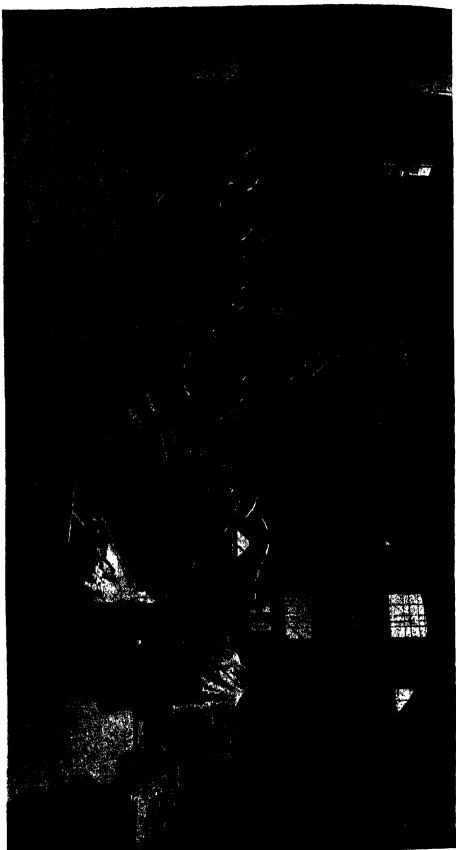
shillings in one payment ; bronze only to the amount of one shilling. Strictly speaking, gold is the only true money in England ; silver and bronze coins are merely tokens. The gold sovereign and half-sovereign (replaced by Treasury notes during the war) are standard coins, because they really contain the amount they profess of pure metal, viz.,  $\frac{1}{12}$ ths of 124 $\frac{1}{4}$  grains Troy ; the  $\frac{1}{12}$ th alloy being introduced to harden the gold and to prevent profitable melting down. The silver coins are more heavily alloyed, but because they are legal currency they buy as much as if they were pure ; and the same may be said of the bronze coins. They are minted by Government for convenience in making small payments.

It will occur to readers that other token currency exists, in the form of so-called "paper money." Among these stand the Treasury notes, mentioned above ; and other and more old-established documents are the bank-note and the cheque. The characteristic of bank-notes (almost entirely now the issue of the Bank of England only) is that to a large extent they represent gold which actually exists and for which the Bank would exchange them on demand. So that it amounts to a *promise to pay*, and where that promise is sure to be kept, notes for large amounts are more convenient and easier to trace in case of loss or theft than gold coins. These are known as "convertible paper currency."

The Treasury notes, issued during a time of emergency, are not similarly "backed up" by equivalent gold but are used in reliance on the credit of the Government (and the country). They are known as "inconvertible paper currency."

The cheque is a promise to pay between individual people, and represents the money, guarantees, or credit, placed by them in the charge of a bank, and drawn upon from time to time by means of the "draft" documents with which the bank supplies them. It is an introduction into private dealings of the old trading

AN INTERIOR VIEW OF THE MINT

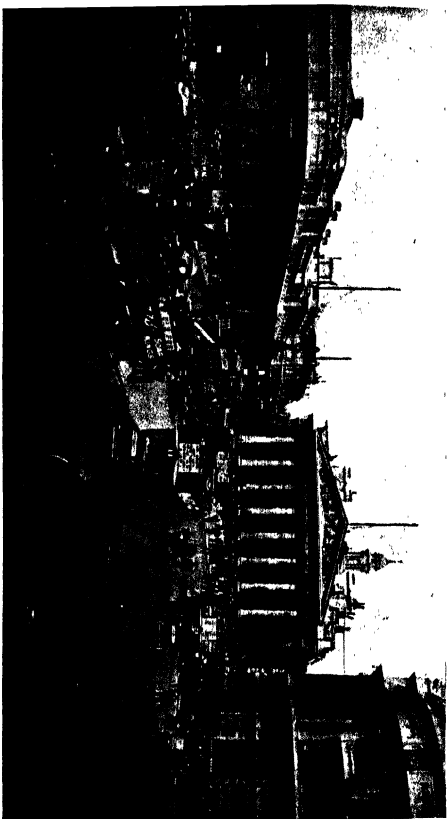


device of *bills of exchange* to save the actual paying of coins.

*Bills of exchange* were invented many centuries ago to save the expense and risk of transporting the precious metals from place to place. There exists in the British Museum a clay tablet on which is written the agreement of a *bill of exchange* passing between Babylonian and Egyptian merchants in the time of Moses. The method may be described as follows: Suppose an English merchant, A, sells £500 worth of wool to a French merchant, B, and that another French merchant, C, sells £500 worth of wine to an English merchant, D, without the system of bills of exchange, the actual £500 would have to be sent from B in France to A in England, and from D in England to C in France. The double transaction is carried out by B, the French buyer sending to A a written promise to pay him on a certain date, and D, the English buyer, sending a similar promise to C. The one is a bill drawn on France for £500, the other a bill drawn on England for £500, so that if A and C exchange documents the debts are discharged.

As merchants cannot get into communication with each other at a moment's notice, this exchanging is carried on by means of other dealers, known as *bill-brokers*. So that A and C send the bills to the brokers of the respective countries, paying a small sum as commission. These bills are in time paid into the banks to which the merchants entrust their money, and thus serve the same purpose as cheques, though they differ in that they may pass through many hands on the way. This system involves a great deal of calculation and book-keeping; and accounts for the interesting sections in arithmetic text-books on interest and discount.

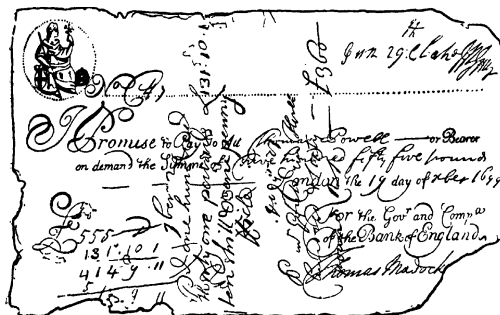
A monetary detail which we come across in history reading is that of monarchs or governments tampering with the coinage, and depreciating their value by making them largely with base metal, or clipping, or issuing



LONDON'S BUSINESS CENTRE  
(Bank of England, Royal Exchange, and Mansion House)



proclamations declaring them to be of higher integrity or worth than their face-value. In Plantagenet times and later great nobles and ecclesiastics had their private mints, and the coins issued were current in their own districts. By degrees, however, the minting of money became a prerogative, or responsibility, of the sovereign or the government. Edward I effected the correction of the debased coinage of his time, and, though later monarchs



FIRST BANK OF ENGLAND NOTE

maintained it in some degree, the Tudor Edward VI's Government deliberately coined base testoons; and the Stuart kings have the same fraudulent practice laid to their charge. Since then the English currency has had an honourable record, and it is only since the need for possessing large quantities of gold for war purposes that the issue of inconvertible paper currency in the form of Treasury notes has resulted in the "paper sovereign" being worth less than its gold predecessor.

Besides the various kinds of "money" which have been mentioned in this chapter, there is also a great intangible

form known as CREDIT. Upon this condition of trust, which is possible only in a highly civilized community, is built the system of giving promises to pay, in bills of exchange and cheques, and both are the outcome of the system of banking. The word bank is said to come from the Italian *banca*, or bench, on which the dealers in precious stones and bullion displayed their goods, and soon its general sense became that of a store or fund. The Lombards were the earliest of European peoples to lend money on pledges, and for centuries the gold and silver dealers were the bankers, to whom monarchs, as well as merchants and private people, applied for loans. A curious reminder of this occurred a few years ago. The descendants of a Lombard goldsmith of the time of Edward III of England proposed to apply to the Royal House of Great Britain for repayment of a loan made by their ancestor to the English king. As was not infrequent in turbulent times, the loan had been repudiated when the time for repayment came.

Our modern banking system centres round the Bank of England. This institution, which was founded in the seventeenth century, has in its charge the State loans known as the National Debt. It has two departments; one for all banking business, the other for the issue of notes. And its chief prerogative is that it, and it alone among banks, may issue many millions of pounds in bank-notes without actually holding the same amount in gold; and the notes are "legal tender" by Act of Parliament. The property it holds as equivalent to these notes is the debt of the Government to the bank; and as the Government represents the nation, this means that the issue of notes is backed by the national credit. The bank receives and guards the taxes as they are collected; and pays the interest (known as dividends) to persons holding Government stock, besides issuing all payments for Government purposes.

Other banks are mostly what is known as "joint-stock" banks, that is, they are owned by a company. Those

persons who invest their money in the business are the "shareholders," and a board or committee of directors are the organizers. The great joint-stock banks have their branches in nearly every town, and in many of the foreign capitals and important cities. Persons who wish to place their money in one of these banks can do so in two ways. They may pay it in as a deposit account, when interest will be paid on it by the proprietors; or they may place it as a current account; that is, draw it out, without notice, by means of the bank's printed forms, known as cheques, to pay their bills.

Besides these there are also savings banks, established to receive small amounts and thus to encourage thrift. The best known instance is the Government institution known as the Post Office Savings Bank. In it, sums from one shilling upwards may be deposited, and interest is paid on all sums left undisturbed for more than one month.

It need hardly be said that a bank cannot take charge of money for the public and pay interest on it merely by locking it up safely in its strong rooms. Instead, its proprietors and directors are always busy seeking how best to employ it profitably. They "invest" it, by lending it on good security to persons in charge of great undertakings; advance money to merchants awaiting ships' cargoes; to farmers who are not yet ready to sell their stock or their crops; to manufacturers enlarging their businesses or developing some industry which brings in slow returns. They also lend to the Government, through the Bank of England, and are obliged to be watchful to keep the money entrusted to them as "busy" as possible, beyond the amount needed at hand for the daily business of cashing cheques and making payments.

There is an old saying that "money breeds money," and it is remarkable how, when it is devoted to service, instead of being hidden away in a stocking, or buried under a hearthstone, it tends to increase. Of course there is the reverse side to this picture; the many cases when money

is invested unwisely, or employed unsuccessfully; and also the widespread "speculation," in which losses are as frequent as gains. In determining how money shall be employed, that is, what forms of production, and what industries shall be supported and encouraged, the banking corporations are very influential. But as we shall see in a later chapter, wise and right production is the effect of the demand of wise and right consumption, so that if the community so decide, there will be little or no market for goods which do not "make for life."

## NOTES AND DEFINITIONS

*Function.* An action, office, method of working.

*A Medium.* Means or way: the telegraph is a medium of communication.

*A Measure.* That which determines quantity.

*A Standard.* That which is taken as a model, or test of quality.

*A Store.* A gathering, plenty, savings.

*Gold is the only True Money.* British money is known in trade as *sterling*. This term dates back to the fourteenth century when the Teutonic merchants, or Easterlings, introduced their coins of pure metal. The old writer, Camden, says: "In the time of King Richard I money coined in the East parts of Germany began to be of especial request in England for the purity thereof, and was called Easterling money."

*Bills of Exchange—*

## SPECIMEN BILL OF EXCHANGE




Bill of Exchange	£2110	Due 15th June, 1922.
Five months after date sum of Two Thousand Pounds for value received.	Accepted, payable at the City Bank, London. Edward Brown.	pay to myself or order the One hundred and Ten
To Mr. Edward Brown, Liverpool.		Samuel Smith.

*Cheques.* Cheques are issued by banks to their customers in books containing from 12 to 100 or 120 forms. Each bears a revenue stamp, now 2d.

## SPECIMEN CHEQUE

(Counterfoil)

(Cheque Proper)

No. 701/E19551		No. 701/E 19551	.....19....
.....19....		.....Bank Limited	
.....		.....Branch.....	
.....		Pay .. .. .or order	
.....		.....	
.....		£.....	
		.....	.....Signature.

## Questions and Exercises

1. Write a short account of different forms of money.
2. Distinguish clearly between : coinage and currency ; make a list of what constitutes our coinage and another list of our currency.
3. Discuss the advantages and disadvantages of " paper money."
4. Find out the meanings of the terms : pawnbroker, stockbroker, billbroker.
5. What banks are there in the town where you live ? How would you set about putting money into the Post Office Savings Bank ?

## PART II

### THE SHARING OF THE NATIONAL INCOME THE DISTRIBUTION OF WEALTH

*"It is a delusion to look on the annual produce of a country as a cake of which the larger the slices of other people the smaller is mine ; for the Social cake, unlike the confectioner's, varies in size according to the manner in which it is divided."*—DEVES.

### CHAPTER VII

#### REMUNERATION

*"[When] manufactured articles are sold the price must pay for the rent of the premises on which the process was conducted ; for the remuneration of all those persons who have contributed by mental or physical effort to the result achieved ; for the cost of materials out of which the article has been manufactured ; for the wear and tear of the tools and apparatus that have aided in their transformations ; for commodities, such as coal and oil, that have been consumed in the process ; for the premium on any waiting for results that has been necessary, . . . and so forth."*—WICKSTEED.

So far, we have discussed some of the processes and conditions in the production of wealth, and we come now to the consideration of how that wealth is shared among the producers. We have not yet attempted to say what we mean by wealth, but everyone is sure that he understands what the meaning is. The quiet, unsensational definition of the term in economics may be disappointing therefore. It is: "Wealth consists in anything that satisfies, directly or indirectly, a human want, and is not unlimited in quantity." Usually, economic writers permit the term wealth to include the things which satisfy wants of any kind, good or bad, wise or unwise, beneficial or injurious. Ruskin, however, suggested that such commodities as minister to wrong and unjust wants shall be

classed under "Ill-th"; since they tend ultimately not to enrich and benefit the recipient, but to impoverish and degrade him. There are many things also which, good in themselves, become harmful when used in excess, though in moderation they give a right satisfaction.

The concluding sentence of the definition is important. There are things which supply human wants, indeed which are indispensable, such as air and light and rain, and yet they are not classed as wealth because they are not limited in quantity, and cannot be "appropriated," that is, become property, or individual possessions.

Another description of wealth is that it consists of utilities; utility being the capacity to serve its purpose. Much of the skill and labour of production went to make changes in the form of materials, or in their placing, or their arrangement of parts, thus increasing their usefulness or suitability for special purposes.

The enumeration in the quotation at the head of this chapter gives some of the various contributors towards the turning-out of some useful or desirable article, each of whom is to have a share in the distribution of the price for which it is sold. These shares are familiar to us in everyday life under the terms rent, interest, wages, and profits.

RENT is payment made to the owner (or proprietor) of land, buildings or houses, for the use of them in production. In the case of land it corresponds to the natural forces inherent in the soil. These are indestructible, though good or bad cultivation can greatly increase or decrease the natural fertility of the land. There is a pretty connection between the term *rent* and the gifts the soil *renders* to man. Houses and buildings, though not indestructible, yet take some time to wear out or become useless for their purpose; they are not "destroyed" as houses and buildings by being lived in or used as factories or stores. English usage has kept the term RENT for payments for the use of these kinds of possessions, but it might have been applied to payment for a railway ticket, or even a cab-fare. Also it



#### HOW TRADE IS CARRIED ON IN NORTHERN ASIA

On the cold and dreary plains of Siberia, as well as on the burning deserts of Africa and Asia, where railways are impossible, merchandise is carried chiefly by camels



might have included (as it does with the French) the payment for a loan, or an advance of money or credit to be used in production. This, however, in England is called INTEREST.

It is easy to see that if a manufactured article, say a leather hand-bag, has to go through many processes, involving different kinds of skill and materials, to be carefully treated at every stage, stored and packed against injury, a great deal of money has been spent upon hand-bags before any of them are actually sold. Tools and dressings had to be provided, the rent of the buildings where the work was done, the carriage from place to place, the wages of the workers, and the upkeep of the machinery or plant. These expenses may have been borne by the head of a firm, but more probably by several in partnership, and possibly by a company with "shareholders" who have invested their savings in the industry instead of spending them. The accumulation is known as CAPITAL; the part which consists of land, buildings, machinery and appliances being called *fixed* capital; and the part used to pay rent, salaries, wages and cost of materials being called *circulating* capital. Generally speaking, all wealth that is devoted to production, that is, to earning an income, is classed as capital; and the return that comes to it is called INTEREST.

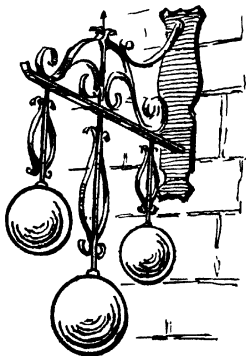
This word has a curious ancestry in this connection. As we saw in the chapter on banking (Chap. VI) the early money-lenders, or financiers, of Europe were the Lombard gold and silver merchants. But the profession was largely adopted by Jewish traders who, being forbidden to enter any of the crafts or guilds, or to deal in new goods or materials, betook themselves to lending sums of money on "pledges," which they sold if not "redeemed" within a certain time. Their skill in business and hardness in driving bargains, and the heavy payments they exacted for their loans, brought them into conflict with the Christian principles of the Mediaeval Church. They were termed usurers and their gains branded with the biblical condemnation

of "usury." Hence, the lending and borrowing of money could hardly be practised in Christian dealing. Yet the convenience was so great that only traders of high principle could withstand the temptation, and the rest adopted the practice in secret. The arrangement entered into was strictly private; between themselves; *inter est*.

It is unnecessary to say that the word, and the proceedings with which it is connected, no longer have any hint of shame about them. Trading on loans, made possible through established credit, is the chief feature of the modern economic world.

We hear much nowadays of "capital" and "capitalists" because another marked characteristic of to-day is the "large-scale" company; commanding, perhaps, extensive products in many lands, controlling various allied or subsidiary manufactures, and inviting investments of capital from

the public generally. The proprietors of these great concerns are understood to be "capitalists," as they are. But so also are any of the investors who, lending their money on interest, thus obtain an income. Indeed, so far from "capital" meaning only great sums of money or much valuable machinery or plant, any of the simple implements or appliances used in order to produce are alike capital. The spade and hoe of the allotment holder, the laundress's baskets, the milkman's pails, and the



The three golden balls which are known as the sign of the pawnbroker are believed to have been taken from the armorial bearings of the Medici, a distinguished Lombard family.

baker's cart, all come under the same heading. Almost the simplest occupation in a civilized country requires some little capital; and the inducement to save in order to procure it comes from the fact that the possession of some useful objects generally enables the owner to have a larger choice of occupations and to demand higher payment than if he had only his muscular strength and his own limbs.

In far-away primitive times a great step was taken towards civilization when men began to save, or to spare, something of their day's or week's food in order to devise or make some implement or tool wherewith to hunt or fish with greater success, and roughly constructed possessions are amongst the earliest forms of capital.

Perhaps the reader wonders why capital was not named among the *essentials of production* in Chapter II, where two essentials were named—material and labour. It is because capital is a kind of amalgam, or compound, of land, the primal raw material, and labour, prepared and sometimes stored previously. To a man who rents a farm in order to grow wheat or fatten stock for sale, or a woman who rents a garden or an orchard to cultivate lavender or to grow fruit for sale, the farm, garden and orchard are part of their capital. They make possible the production of the grain, pasture, plants and fruit, because money and labour had previously been spent upon them to make or increase their fertility. It is true that both the man and the woman will need further capital: farming implements and gardening tools; stock and plants and trees and money in hand to pay for any necessary labour which they cannot perform themselves. So that when the time comes for selling the produce it will be desirable to sell it at a price which will not only cover the actual cost of growing it but also compensate the growers for having "tied up" their wealth in the form of land and implements and wages paid, instead of having it at their disposal for buying attractive things, or travelling, or otherwise procuring

amusement. No one will grudge them this return, so long as it is at a reasonable "rate of interest"; but the dissatisfaction, sometimes loudly expressed, comes from the belief that the return to capital is excessive compared with that to labour. We shall speak of this again later. •

Next we have to consider WAGES: the direct payment made to those who have supplied services in production. The services may have been the highly specialized ones of managers and organizers or designers and buyers; or the simple labour of porters and cleaners; as well as all the intervening forms of the work in the particular industry, and the clerical part in the counting-house. We are so accustomed to the idea of WAGES—and the wage-earning people number quite three-quarters of the population—that we are apt to think that the system is as natural and as fixed as that of the sun and stars. But on the contrary, it is a comparatively modern condition, and belongs to the era of great towns and the development of manufactures. In early and mediaeval England the greater part of the population lived in the country, occupied dwellings with a little land attached and paid their rent and dues with certain services, as ploughing, sowing, reaping, road-making and ford-making, rendered to their landlords on certain days throughout the year.

In much later times it was usual for farmers to provide the cottages for their labourers, which were part payment for their work; but in England to-day only comparatively few landowners have maintained the house accommodation necessary for the labourers on the estate, hence, generally, their payment is in wages. In the other parts of Europe, and notably in France, there are (comparatively) fewer large estates and very many small cultivators. These are either peasant proprietors, or they share with the owners the produce of the land in return for stock and buildings, fences, etc. These men, though in a small way and obliged to live very frugally, are independent of wage-earnings,

and except in the mining and manufacturing districts they form the greater part of the population.

The different system of land tenure in England, as well as the great industrial organization for manufactures, have contributed to the present condition of the large majority of the people being dependent for their livelihood upon wages. There are, of course, certain advantages in the position. The wage-earner is free from the responsibility and anxiety which belong to ownership; he appears to run less risk in an undertaking which, though it may succeed, also may turn out ill. But, as we shall see, he is not free from anxiety or risk, since the conditions on which alone he can be employed (generally speaking) involve that of being dismissed at any time.

Another advantage, of which much has been made in contrasting the lots of freemen and slaves or serfs, is what is known as freedom of contract. The worker may demand the wages he believes his work is worth or refuse to give it. This is much more valuable in theory, however, than in practice, for in a thickly populated country there is much competition between labourers, since all are dependent upon the return they can get for their services. Nor can any afford to abstain from work often or for a long time; hence, necessity to earn greatly weakens the force of their side of the "free" contract.

Because of this necessity, compelling competition between workers, which has become increasingly severe during the past century, there grew up the idea that human efforts (that is, labour) resembled all other things that are bought and sold and became a mere commodity. Thus there arose the painful description the "labour market," and a willingness to believe that it was a wholesome state of things for industry always to have a reserve of waiting labour, that is, of unemployed. But this was to forget that human efforts cannot be separated from the human being who makes them; and that to consider them as only merchandise is to affront the dignity of man. It is true that labour



A MEETING DURING A STRIKE ON THE ETERNAL QUESTION OF WORK AND WAGES

and wages effect an exchange, but they are more properly regarded as a loan of work and its recompense than as a commodity and a price.

And since labour is a human action, and united to the human agent, it has a transitory and perishable quality which even the most fragile marketable commodity lacks. For human efforts cannot be stored when rejected ; they cannot be packed away carefully for months or weeks, hardly even saved for days, and proffered when demand arises. A man who is out of work for a week will not be able to do twice the amount should he obtain employment the following week. Within narrow limits a rest and change from any occupation may refresh and invigorate the worker so that he can put forth greater and more fruitful energy when he resumes. But such refreshment comes from a holiday, not from an involuntary abstention from work and the accompanying deprivation of supplies. The labourer who can offer little beyond his muscular powers or the performance of tasks requiring no special skill is continually in the position of finding no opening for the exercise of his powers, and with the uncertainty, and often the lack of proper food and clothing, he is apt to deteriorate both physically and morally and may become unable to do anything worth doing—that is, unemployable.

We will now consider the different ways in which human efforts are remunerated, or the different kinds of wages. Two chief divisions are those of *time-wages* and *piece-wages*. In the former the worker is paid at a certain rate an hour or day for the time he is employed ; in the latter he is paid so much for the task accomplished. For some kinds of labour the *time* method is the more suitable ; as when many men of different trades are employed upon the work, such as building a house or a ship ; or when the quality of the work is of great importance ; or when the task involves the use of special tools and appliances provided by the firm, as in mining and iron-founding. An apparent drawback is that the skilful and diligent worker has no

advantage over the less competent and the dawdler. *Piece-wages* enable the capable and energetic worker to profit by his ability, and young and vigorous people often show indignation that the method is not more widely adopted. But it is open to the objections that it often leads to the substitution of quantity for quality, and that it constitutes a great strain on the worker. In some forms of industry there is a kind of corporate *piece-wage* system. A whole body of workers upon a job, perhaps the building of a workshop, or the renovation of a ship, or the turning out of machine-made boots and shoes, agree with the employer for a certain amount for each class of worker for their total effort.

There are other terms in connection with wages which need mention. (1) *Real and nominal wages*. The *nominal* wage is that which is described by the name of the amount; as "five pounds a week" or "two shillings an hour." The *real* wage is to be ascertained only by considering several points, as: (a) the command over *what he wants* which he is able to get with his money; (b) the few or many interruptions to work due to weather or the seasons or holidays or slackness of trade; (c) the number of years he may hope to be able to work, evidently different in the case of lead-working from that of brick-making; (d) the cost of the education and training necessary beforehand; (e) the incidental expenses connected with the work, as, for instance, the possession of expensive tools, or outfit; or cost of journeys; (f) the cost of living in the place where he has to be; (g) any allowances made, as house or coal or gas, etc.

With reference to (a), sometimes when work, such as railway making or engineering is carried on in districts away from centres of supply, the cost of carriage adds considerably to that of ordinary necessities of life. As to (b), the manufacture and trading in luxuries, fine fabrics, hot-house flowers, expensive foods, decorations, etc., such as are in demand during the London season and that of



"seasonal" goods, muslins, straw hats, etc., in summer, and their making-up and transport; the building of houses, the outside work of which has to be discontinued during rain or frost, all these involve periods of enforced idleness during which no wages are earned. In the case of (c), there is to remember that in what are known as the "dangerous" trades, such as the making of earthenware, or matches (where lead and phosphorus are used), or those demanding great strength or endurance, as iron-founding and steel-working, no worker can continue long after the prime of life, and thus has some years to live in which he must earn in other ways or live on his savings. With regard to (d), the preparation for some forms of work requires several years of technical study and practice, during which as apprentice or learner the beginner earns little or nothing; in estimating the wages paid afterwards there is this expensive training to be taken into account. This is the principal reason why what are known as "skilled workers" are paid higher wages than "unskilled." Under (e) comes the consideration that a carpenter and joiner, for instance, or an electrician, or an engineer uses his own tools, and that often a complete set will be worth many pounds; while some kinds of work demand a special dress, not necessarily supplied by the employers; or there may be expenses of going to and from the various places where work is to be done, as in the case of gas-fitters undertaking company's repairs. Under (f) is to be remembered that the cost of living varies greatly in different parts of the country. In London and some of the large coast-towns, house-rent, firing and food are much dearer than in the Midlands and the North; and, generally speaking, expenses are higher in a town than in a country district. Lastly (g): many workers on estates or for great corporations have house-room or fuel or light, or uniform or part outfit, which has to be reckoned as part of wages.

Besides *real and nominal wages* there are also (2) *efficiency wages*. These are distinct from *time-wages* and *piece-wages*,



*By courtesy of*

*The London County Council*

# TRADE-SCHOOL CLASSES IN DRESSMAKING AND WIG-MAKING

Trade schools now provide a specialized trade training, side by side with a general education

and vary with the ability and efficiency of the worker. Some years ago, when a great English engineer was making railroads on the Continent, he found that the superior strength and endurance of the British navvies enabled them to do more effective work than their French and Italian fellows, and it was profitable to pay them higher to retain them. Similarly it is found that the working population of the North of England are physically stronger and more energetic than that of the South, so that for the same kind of hard and exhausting work the North Country man can command higher wages. Then there are many special trades, or parts of trades, where singular gifts of dexterity, or judgment, or special skill are worth considerably higher wages than the ordinary; and in positions of responsibility, where good management, power of sympathetic control, or the use of expensive materials or machinery without waste or damage are required, the worker receives considerably more than for ordinary services.

It is a pity that in large-scale production, and with much machine-made merchandise, there is comparatively little (external) incentive to a high standard of efficiency. The good name for integrity as shown in material and workmanship which Britain has borne in many world markets is often slurred by the kind of goods "made to sell." In their production no one can take pride or pleasure, and inferior work is accepted as being "good enough."

There remains still to mention (3), *minimum wages*, a term which has been heard very frequently of late years. As we have said, labour is inseparable from the human agent, and as a being with faculties and aspirations for other than merely material ends, a worker's earnings should at least suffice to provide him with the necessities and decencies of life. In many forms of industry the competition of workers among themselves, and the competition among manufacturers to produce cheaply, had combined by the early years of the present century to reduce wages

among unskilled workers to an amount insufficient to provide food, clothing and shelter such as could maintain their health and strength. Hence there arose an insistent demand for a *living wage*, and the force of public opinion, together with Parliamentary action, have brought about the establishment in many recognized industries of a *rate of pay* below which the services of workers may not be legally employed. But there are many small employments and dependent trades in which unskilled workers receive less than the "minimum" rate. There are also the skilled workers in the great organized industries, who belong to trade unions, and who are paid much above the "minimum" rate.

Apart from the action of trade unions in affecting the rate of wages, the chief determining influence is the *standard of life*. Where the workers, having experienced prosperity and comfort, resolve to demand such wages as will enable them to maintain the same degree, it is found that, in general, there is greater efficiency and therefore a higher rate of production than in the less well-paid industries. A family accustomed to go insufficiently fed and clad, and lacking the incentives to enterprise which healthier conditions make possible, will embark its members on chance occupations and "blind-alley" employments in order to relieve present needs. Without this wearing pressure the wife will probably refrain from outside work, take care of the home and have pride in it ; and the children be allowed to avail themselves of the educational advantages which will equip them for satisfactory work in the future.

But it has to be remembered that not always will the receipt of high wages result in this better state of things. As we shall see in later chapters there is an art of spending as well as of earning, and those who have never known the real comfort of cleanliness, suitable clothing, and a well-ordered home, cannot suddenly develop the capacity for maintaining them. Instead, they are quite likely to spend the increased earnings in foolish or degrading indulgence, and be no better off with £5 a week than they were with £2.

A great change has come about in the way in which the share of labour in the returns for production is regarded. Formerly it was almost universally believed that the cost of production must be kept down by spending as little as possible on wages. And as in this country for a century past (until the Great War) there were rarely "two jobs for one workman," and often "two workmen after one job," employers were tempted to take the one whose need made him offer his services for the least payment. But in many forms of industry it is now recognized that there is economy (in the narrow sense of the word) in high wages ; since thus the worker can maintain a higher standard of vigour and intelligence and, given goodwill and honest endeavour, turns out more work and better than an underpaid labourer is able to accomplish.

The last of the terms we have to consider is PROFITS. Readers will remember that in arithmetic text-books there is generally one section entitled "profit and loss," and the questions require the student to determine in various transactions of buying and selling whether, and by how much, or at what rate, the proceedings resulted in gains or losses to the dealers. These questions, however, being compiled as exercises in calculation, included under "profit" the parts which in economics are distinguished as rent, interest and wages as well. Strictly speaking, it is only when those charges have been met that a business man or firm can speak of profits. It is in such a case the surplus return after all the expenses are paid. Evidently, therefore, it belongs to the man, or firm, or company, who provide the necessary means for carrying on the business ; and who bear the responsibility of the undertaking. The French word for this person is *entrepreneur* (an undertaker, or one who undertakes a contract), but in its English form it has become attached to a particular business and cannot be conveniently used in the economic sense.

We saw in Chapter II that Nature and natural agents are, when combined with labour, the source of all production.

Where these are the property of someone they bring to him a return solely on the ground of his proprietorship, and that return is what we are terming "profit." The arithmetic problems qualify the term in some cases and speak of "gross" and "net" profit; or the total receipts from the transactions and those that remain after the expenditure incurred has been covered. Profits may be large or small, but in the "large-scale" industries of the modern world they tend to be large, compared, that is, with the returns shared by labour. And as any excessive returns are bound to be due to various other causes than the judicious use of property and opportunity on the part of the owner or owners, such as they could neither control nor bring about, it is often considered right to permit all those who helped in the production to enjoy something of the excess gain. This is understood as "profit-sharing," and, though the persons who have agreed to receive the fixed charges of rent or interest or wages have no legal right to more, it is a becoming acknowledgment of good fortune to share some of the surplus gain with them. This is especially the case in days when, though theoretically they have not agreed to "loss-sharing," yet they often do share in the unfortunate outcome of a trading concern. Cases are known of rents being in arrears or lowered; of interest not being forthcoming on loans; and of wages being lessened or workers put on short time, or discharged.

In a later chapter we shall discuss some arrangements and methods whereby the drawbacks and disadvantages of the methods of remuneration are corrected or alleviated.

## NOTES AND DEFINITIONS

*Wealth*—

1. "Wealth is a plentifulness of goods in excess of pure need."—*Liberatore*.

2. "Goods that can be appropriated properly deserve the denomination of wealth."—*Say*.

3. "Wealth consists in those things which the nature of humanity has rendered in all ages the objects of legitimate desire."—*Ruskin*.

4. "By wealth is meant a good which corresponds to a need."—*Parkinson*.

5. "Wealth consists of things that ~~satisfy~~ satisfy wants, directly or indirectly."—*Marshall*.

*Capital and Capitalists.* When wealth is devoted to the production of further wealth it is termed capital.

Persons who supply this wealth in enterprises are therefore termed "capitalists."

The apparent separation between the interests of Capital and Labour has come about in most civilized countries through the great fortunes seen to be amassed by the owners of capital compared with the narrow means and opportunities of those who supply labour. And sometimes, it is true, the working power of human beings—men, women and children—has been treated as a commodity, to be bought as cheaply as possible, used or discarded as convenient, and as though it were not the exercise of human faculties inseparable from their possessors. But, as an economist of the nineteenth century said: "Since both capital and labour are absolutely indispensable in the work of production it is as impossible to decide which does most as to determine which blade of a pair of scissors cuts most, or which factor, five or six, does most to make thirty."

### Questions and Exercises

1. Give some conditions under which the following would not be wealth: (1) a Bank of England £5 note; (2) a bag of pearls; (3) a motor-car; (4) a railway season ticket.

2. Give three arguments for and against each of the following: time-wages, piece-wages, efficiency-wages.

3. What do you understand by a minimum wage? And what by a living wage?

4. Explain the meaning of profits. What is implied in the saying: "Small profits, quick returns"?

## CHAPTER VIII

### WEALTH AND WELFARE

"Wealth consists of things essentially valuable. . . . Value signifies the strength or 'availing' of anything towards the sustaining of life. . . . A sheaf of wheat of given quality and weight has in it a measurable power of sustaining the substance of the body; a cubic foot of pure air, a fixed power of sustaining its warmth; and a cluster of flowers of given beauty a fixed power of enlivening or animating the senses and heart."—*RUSKIN*.

WE have seen in Chapter VI that wealth does not consist merely in money, though money is a convenient substance for measuring and transferring wealth. Behind the money there must be things. Sometimes we hear an exaggerated

expression of disappointment that something "cannot be got for love or money"—when scarcity or unusual difficulty occurs. If people were ever doubtful as to this, those who are feeling or observing the effects of the World War must be convinced of the truth of the statement that "wealth consists in abundance of things." Dearth of houses, dearth of fuel, dearth of food-stuffs and of clothing, are some of the results of four years of destruction of accumulated products and of diversion of human effort from the work of restoring them. Everyone desires money for the sake of what it will procure, to satisfy their needs or to gratify their desires, not for itself. Those who desire it inordinately, or in an excessive amount, do so because by means of it they can either possess, or command control of, numbers of things. This carries with it power over men and over merchandise, and such power is often great enough to direct the aims and methods of production. Under its influence much capital and labour may be diverted from the work of providing necessary "goods," and expended in ways and on objects which minister to display and extravagance.

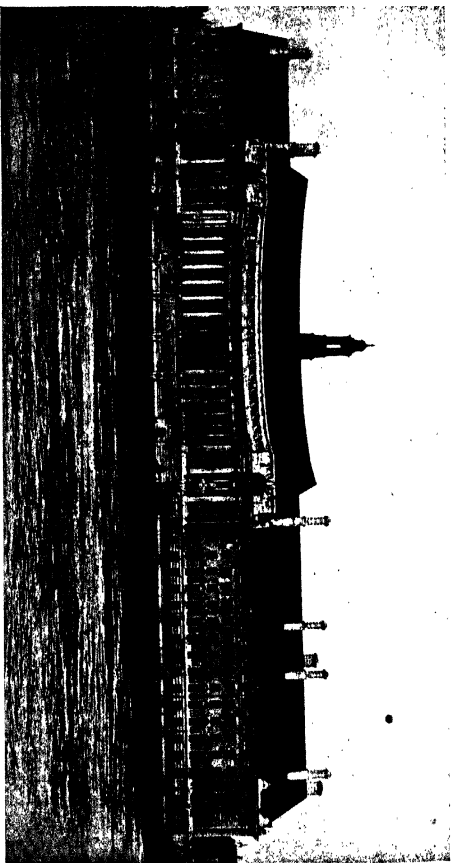
Thus with a large amount of material wealth in a country there may be much poverty and want. Such was the case in our own land for the forty years before the European War. While 80 per cent of the total income was possessed by 1·5 of the population only 2 per cent was possessed by 87·5 of the population; and in London and other great towns nearly 30 per cent of the inhabitants lived in poverty. By "poverty" is to be understood the command of less than the necessities of life, food, housing, and clothing; and in so precarious a state that a short period of illness or unemployment sufficed to thrust them into absolute want. It is true that poverty is often caused through idleness, extravagance, drink, and betting; but other causes are also at work and operate even earlier than these—such as low wages (often described as "sweated labour"); the death or incapacity, through ill-health or



accident, of the principal wage-earner ; and casual employment.

Because this condition of things showed so marked and painful a contrast between national wealth and national welfare, which private charity and justice and individual efforts were powerless to remedy, the State has been obliged to intervene. In addition to the charges for education, sickness and destitution, there have been added to public funds the expenses of pensions for the aged, medical treatment for children of school age, and national insurance against illness, accident, and unemployment. Also the establishment of Government labour bureaux has, by registering workers, made stable the conditions of thousands of men who were formerly in only "casual" employment.

There yet remains the great task of welding into one the progress and interests of an industry and the responsibility for the human agents who supply its necessary labour. Two main principles underlie this reform, of which there is required practical recognition in working : (1) that labour is a *first charge* on industry ; and (2) that an industry should be responsible for the labour it employs, whether regular or occasional. By means of (1) a great check would be put upon the speculative industries which, hoisted into prominence by some passing phase of trading or fashion, "make hay while the sun shines," in embarking upon the manufacture or preparation of commodities. And when the clouds of falling markets descend, retrenchment sets in and falls inevitably first upon the wages list. This feature is almost always absent from the practice of established and reputable firms and companies, whose managers seek for more economical working in the prevention of waste and overlapping in their organization. By means of (2) it is hoped to get rid of the large mass of unemployment which results from the competition of manufacturers for occasional "swoops" of business. Our industrial system has for long permitted them to watch



THE NEW LONDON COUNTY HALL, WESTMINSTER

for opportunities of procuring material cheaply and to rely upon the certainty of there being at any time a plentiful supply of unemployed workers. These they were free to engage, quite possibly with a very fair rate of wages, for the proposed undertaking, and to dismiss when it became convenient to do so. Thus, through these two established usages alone, was maintained the disastrous condition of such frequent unemployment, that the workers had no reasonable certainty of a livelihood. Besides the impossibility of ordinary wage-earners saving enough during good periods to live upon without privation during bad ones, there is to reckon with the harassing effect of uncertainty, with the bar it makes to improved position; and the demoralization of the worker whose services are rejected day after day. Physical as well as moral deterioration inevitably sets in, and no amount of national wealth tabulated in statistics can compensate for the absence of welfare in a large part of the nation.

Young and adventurous minds and the irresponsible ones of all ages may see no drawback in the chances and changes of unregulated industry. Indeed, some welcome it as being preferable to the continuous "hum-drum" of persistent and systematic endeavour. But one of the greatest human gains from civilization is the habit of continued application. The savage is incapable of it, and there is usually no incentive in his existence strong enough to induce him to acquire it. And besides being a gain, incidental to civilized conditions, it is also an essential to them. When, however, as is happening in an industrialized world, some great break occurs, like the late war, it provides a stimulus and provocation to revolt on the part of large numbers of workers. The higher ranks expect higher profits than heretofore, the lower, better wages; both alike enforcing, or seeking to enforce, their claims by withholding possessions or services.

Thus we see organized associations of owners or employers and of wage-earning employees opposed to each other, but

united in the aim of limiting production; of reducing, that is, the "abundance of things," which constitutes material wealth. In the closing years of the eighteenth century and the early years of the nineteenth took place the notable struggle of the wage-earning workers to win the right to some real "freedom of contract" in disposing of their labour. By associating themselves into "trade unions"—at first strongly opposed and repressed, eventually tolerated and legalized in 1825—they obtained some power of "collective bargaining." Fifty years later the movement gathered force and importance, but was still primarily animated with the idea of defensive organization. The trade unions provided benefits for their members who, in return for weekly contributions, were insured against sickness, old age, death, and unemployment. In the early years of the present century they first had the right to own political funds, which made it possible for them to have their own representatives in Parliament.

It has been said in Chapter VII that the need of the worker who had only his muscular strength, whether skilled or unskilled, to offer, compelled him sometimes to accept a wage upon which decent and kindly human existence is impossible. The "collective bargaining" made possible by the unions was based upon a recognized and agreed rate of pay, between employers and labourers, for the different grades of work; and the growing power of the unions has enabled them greatly to improve the conditions (as to hours, safety, methods, etc.) as well as the payment of their labour. Thus "trade union" scale of wages is often announced by public bodies and government departments as a favourable condition of their service. Another feature of trade unions is the support they can, and often do, give to their members when, in a dispute with employers, they refuse to work, or "strike." Of late everyone has become only too familiar with the term, and the action is tending to become an offensive instead of a defensive one. Similarly, the corresponding

revolt on the part of employers, known as the "lock-out," is not, or has not been, always justifiable. Both are sometimes inevitable, and both may at times be necessary; also both are of the nature of protests which, in the clash of interests and wills, free men cannot be restrained from making.

But the habit of mind which readily justifies recourse to the withholding of opportunity or services is one which makes neither for increased wealth nor higher welfare of the nation. In an earlier chapter a saying of Ruskin's was quoted to the effect that the duty of a merchant (or manufacturer) to the nation is "to provide for it." Riches, or at least a competency, may well follow the faithful performance; but where self-interest, or haste to be rich, is the first consideration, the beneficent aspect is gone. The caprices of production are responsible for much corruption of desire and aim in a people, and are generally the outcome of a resolve to "make money" rather than to supply a reasonable want.

Nor are some of the ideas and practices of the organized workers more in accordance with a desire for the general good. The rigorous limitation of apprentices, of admission of further labourers, of "output"—or value of labour in return for wages—is a grave mis-reading of the functions of a society within society. It is perhaps more pardonable in the members of organizations which have originated, grown and established themselves against opposition and by stern combat, than in those of the employers' ranks, that immediate and temporary personal advantage outweighs in their considerations the lasting and permanent enrichment of the community.

Great Britain has been justly described as a "rich" country, though the term "rich" is, of course, not an exact one. Ideas may differ as to the degree of affluence or number of possessions, or amount of power that deserve to entitle their owners to the description "rich." It is a purely relative term, like "hot" and "cold"; but

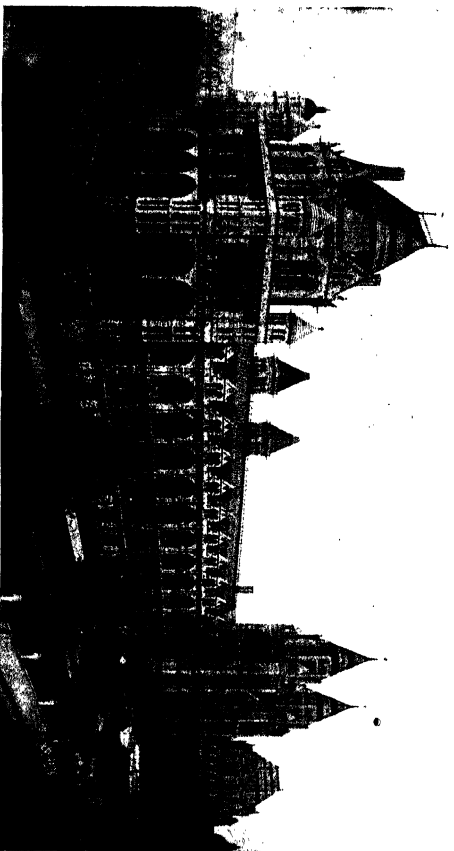


A SCENE DURING A STRIKE AT THE LONDON DOCKS, SHOWING POLICE  
ESCORTING TRANSPORT

people are generally agreed upon the meaning of each in given conditions. Some few years before the Great War the annual income of the United Kingdom was estimated at £2,000,000,000. This wealth is almost entirely the product of its economic organization; the "goods," that is, produced by the combination of natural agents, stored products, and labour. The impoverishment and scarcity, the displaced and destroyed material, and the maimed and incapacitated human beings, which are the legacy of the war, are but beginning to be restored, and the work of recovery may be long.

It has been noted above that by far the larger portion of this annual income is shared among only comparatively few of the inhabitants of Great Britain, and this condition, while having serious disadvantages, is claimed to have also some compensating advantages. Among them is that of capacity to undertake great enterprises. In trade and manufacture this may include the building of docks and warehouses, construction of vehicles and complicated machinery, and experiments with metals, soils, fabrics, chemicals and gases by highly equipped scientific men in expensively fitted laboratories. In social progress it may include the erection of fine public buildings, wide thoroughfares, convenient routes for traffic, and the variety of transport facilities seen, for instance, in London. In intellectual development it makes for the existence of a number of people with leisure. Unburdened by the cares of the persons with small incomes, and free from the details of daily work in office, shop, or household, men and women can devote their best energies to the study of art or science, and to the acquiring of knowledge of the past and the principles and laws that underlie human progress.

Nor is the possession of this privileged position a means or occasion of merely selfish enjoyment. By the pursuit of art, the study of letters, the investigations of science, and even by the speculations of philosophy into the causes and relations of things, the whole community is benefited.



THE NATURAL HISTORY MUSEUM, SOUTH KENSINGTON, LONDON  
An Institution which, though in London, is distinctly a National possession.



The spread of such culture is perhaps slow, and only a sprinkling may touch the consciousness of the many ignorant and uncaring ; but the existence in a nation of a small core of profound and disinterested thinking serves to influence to soundness and healthy activity the casual and wayward thought of the greater number.

Similarly, the gentler manners, the refinement of habits and customs; the appreciation of what is seemly and becoming, as well as of what is forcible and strong of those who move amidst sheltered and gracious surroundings by degrees affect those whose instincts and environment are less favourable, and thus help to promote the amenities of civilization. And these things are all incidentals of welfare ; aids to the betterment of the lives of human beings, in the developing of their spiritual faculties.

Besides the instances of family or individual wealth which are the result of the inequality of distribution, every community of an advanced civilization has also a large amount of corporate wealth. Examples that readily occur to one, as illustrations, are the publicly-owned buildings and treasures and conveniences which London and all important provincial towns possess. In the capital many of them are national, and hence are under the guardianship and control of Government ; in other places they are the charge of the local authorities. Among such are museums and picture galleries ; libraries ; historic collections ; ancient buildings ; guildhalls and council chambers ; recreation grounds and playing fields ; quiet retreats and beauty spots ; reservoirs, market-halls, open spaces ; baths and shelters ; and roads, paths and tramways. These are common property and are maintained for the common good ; originating sometimes in munificent gifts or bequests, but often by the levied contributions of the inhabitants. In them all have, or should have, a common interest, and to each section of the population they are valuable, according to the degree in which they can use or appreciate them.

*Photo by*



*Valentine*

# LAKE THIRLMERE AND HELVELLYN

The Reservoir of Manchester's Water Supply

Another form of corporate wealth which is very real, though easily overlooked, consists in the many services given by individual members of the community without payment. They are not, however, commercial wealth because they are not "exchanged"; but were they withdrawn, many heavy charges would fall upon the community at large. Until recent years we should have been able to count among these services the work of the members of Parliament who represent us; but since 1911 they have been paid salaries. We can, however, still number among honorary workers the elected members of local government bodies, poor law guardians, justices of the peace, and others in the service of the State, besides very many persons engaged in social and philanthropic work undertaken by private societies.

While few can be found to justify the covetous amassing of material wealth by self-seeking persons, or the existence of conditions which tempt men to aim at becoming millionaires, it is not difficult to see that inequality of shares in the national income, when not excessive, provides occasions for splendid achievement, and opportunities for the exercise of vigour and resource which a level distribution, resulting in a moderate average for each family or individual, could not bring about. An energetic declaration of Dr. Johnson on the subject expresses this: "Sir, all would be losers if all were to work for all: they would have no intellectual improvement. All intellectual improvement arises from leisure; all leisure arises from one working for another." Nor was this the opinion of a man who knew nothing of straitened means, or had been dowered with affluence; on the contrary, he had known poverty from boyhood and, in his most prosperous days, enjoyed but a frugal competence. The most mischievous effect of the presence of a few very rich persons in a large community is their adoption of a luxurious mode of life, with much ostentation and display. The standard is copied and, as far as may be, imitated, to the further waste of goods and services;

and as means fail to provide the real articles encouragement is given to the manufacture and substitution of shams.

Of the whole national income part has always to be set aside for reproduction, for use, that is, as capital. And in a progressive people this material capital is not entirely reserved in the form of concrete things, but is devoted to purposes of education and training of the coming generation. We may regard it thus as transformed into personal capital: the possession by individual persons of enlarged capacity, technical ability, or excellence in some form of intellectual or manual work. This endowment, when accompanied by good moral training, is a far-reaching addition to national welfare, placing in the hands of many the means, not only of gaining a living, but also of realizing fullness of life.

### NOTES AND DEFINITIONS

*Charges for Education, Sickness, and Destitution.* Since primary education was made compulsory it has also been given without fees. Grants from the National Exchequer, through the Board of Education and from the local authorities out of the rates, provide for the upkeep and staffing of the elementary, or primary schools, and contribute to the secondary.

Insurance against sickness and unemployment is now obligatory on all "employed" persons in receipt of less than a certain amount as income. To these contributions the State adds sufficient to ensure medical and surgical attendance from the registered "panel" of doctors, and also unemployment payment, after a certain number of contributions have been paid, and for a limited time.

Destitution is provided for under the Poor Law, by means of boards of guardians throughout the country. Indigent persons are either granted "out-relief" or are required to enter one of the poor law institutions (formerly known as workhouses).

*An Industrialized World.* A condition in which the greater part of the population are engaged in making things for sale, and where trade is considered the most important thing.

### Questions and Exercises

1. Try to distinguish between: industrious and industrial; work and labour; wealth and welfare.
2. What examples of corporate wealth are there in the place where you live?

3. Name some of the "amenities of civilization" belonging to life in a modern town.

4. What: (a) public, (b) private agencies for social betterment do you most admire?

5. "Wealth consists of things essentially valuable." Make a list of some such things. Also make a list of things often greatly desired, which Ruskin would not have considered "essentially valuable."

## CHAPTER IX

### VALUE AND PRICE

*"A vast range of our relations with others enters into a system of mutual adjustment by which we further each other's purposes simply as an indirect way of furthering our own."—WICKSTEED.*

THE term value is a rather elusive one. As we saw in Chapter V, it has various meanings in ordinary usage, and in economics it has been employed with different significations. It is sometimes confused with price, as in marketing mass is often confused with weight; but, as has been said, "price is a fact," while "value is an estimate." Some people get a clearer idea by thinking of value as a ratio; the relation (as regards capacity to satisfy a want) of the thing to some other things expressed in money. We might state this arithmetically as

$$\frac{1 \text{ cabbage}}{\text{No. of pence}} = \frac{2}{1}; \quad \frac{1 \text{ loaf}}{\text{No. of pence}} = \frac{6}{1}$$

whence  $\frac{1 \text{ cabbage}}{1 \text{ loaf}} = \frac{2}{6} \text{ or } \frac{1}{3}.$

Also price should be reserved as the description of things actually for sale.

In attempting to explain value, economists have laid stress now on one, now on another element upon which it depends, as the amount of labour (both direct and stored). Indeed, some writers on the subject consider that labour is the most appropriate measure of value. An old arithmetic

book of the sixteenth century builds up its land measure in this way—

4 Perches	= 1 Dayeworke.
10 Dayeworkes	= 1 Rood.
4 Roods	= 1 Acre.

And in modern times Ruskin has strongly insisted that : " Money payment. . . consists radically in a promise to some person working for us, that for the time and labour he spends in our service to-day we will give or procure equivalent time and labour in his service at any future time when he may demand it." He goes on to say : " If we promise to give him less labour than he has given us, we underpay him. If we promise to give him more labour than he has given us, we overpay him. . . . But if we wish to treat him with absolute equity, it is evident that this equity can only consist in giving time for time, strength for strength, and skill for skill."

Most economists, however, have been content to consider what contributed to the present form of the commodity ; the cost of producing it and placing it where it is wanted ; its rarity, etc. But it is generally agreed, as stated by Mill, that : " The temporary or market value of a thing depends on the demand and supply ; rising as the demand rises and falling as the supply rises. . . . But besides their temporary value things have also a permanent value or, as it may be called, a natural value, to which the market value, after every variation tends to return."

Everyone who is accustomed to buying simple necessary things, such as belong to household marketing, will realize the truth of the above statements. Sometimes may be seen in a fishmonger's shop the notice " Fish is cheap to-day." The housewife never sees, nor expects to see, this announcement during stormy weather with gales of wind ; but when she sees it, concludes that the fishing-boats made a good haul the previous day, and their owners managed to get it despatched in bulk. The supply has risen in this case, and since fish is a quickly perishable commodity, the

buyer gains the advantage. Something of the same experience occurs in the fruit season, particularly the "soft fruits" period. A spell of hot weather at a favourable moment will lead many growers to pick their fruit and despatch it to market, lest it should become over-ripe to travel.

When the gathering in or "raising" of the year's crop of vegetables takes place, normally there would be no great increase of supply in the markets for small purchasers. But with a threatened prevalence of, e.g. potato-blight, many growers would prefer to sell at once at something less than the hoped-for price to avoid the loss in the future of potatoes deteriorating while stored. When this occurs on a large scale, as in the autumn of 1920, the market-price of this vegetable falls so considerably as to warrant the description, in the current mercantile slang, of a "slump."

It may be noted here that the function of the merchant (in Ruskin's description) of providing for the nation is now so largely in the hands of dealers and contractors, or combinations of great producers that, with the aid of the telegraph and the telephone, the "state of the market" can be known and arranged for. Where it is probable that the supply will be so large as to reduce prices very considerably, the consignments are held back; and even it has been thought justifiable to permit perishable food-stuffs to be thrown away rather than to sell them at the reduced price. Of course it is obvious that no body of growers or producers can continuously accept a return which allows no fair margin of profit after covering expenses. But the occasional surplus quantity over the usual, or the anticipated amount in demand, and especially in food-stuffs for the town populations, should be allowed to reach the consumer, who thus, and only thus, shares in the bounty of nature.

It used to be thought that the competition between merchants (i.e. manufacturers, growers, fishers, and other "producers of the commodity where it is wanted") was



TRADERS BARTERING WITH CANADIAN INDIANS



sufficient to restrain the artificial upkeep of market prices. But where the individual members have combined together into associations or trusts, their joint agreement removes the element of competition, and they are able in a great degree to control markets. "What is brought to market is only a proportion of what *could be* brought to market"; and this limitation secures to some of the agents in the transaction advantages which, in fairness, should have been shared by all.

In past days in our history there was in existence a system of private advantage known as the holding of monopolies. When sovereigns or governments controlled trade—or powerfully interfered with it—a supporter would be granted the sole right to trade in some commodity. Under Queen Elizabeth various favourite courtiers held monopolies of salt, vinegar, leather, and coal; and her successor, James I, extended the range, a Sir Giles Mompesson being granted a monopoly in gold and silver thread. His covetous substitution of a baser metal led to his impeachment, and later to Parliament's abolishing monopolies. Without royal patronage, however, the modern growth of great syndicates and trusts amounts to a very real monopoly. We read of one such trading corporation which owns, or controls, fifty once-independent firms; of another, similarly running ninety or more. The housewife combats the dirt and accomplishes the making and mending of her household with difficulty, when soap and sewing cottons are thus "provided."

So far we have been thinking of supply; we have also to consider demand. There is much of peculiar interest in this part of the subject. First, the demand is made on account of the satisfaction of some want to be thus obtained. Next, some wants are limited and speedily satisfied; then, there is often a choice to be made between different modes of satisfaction—a balancing of alternatives: "If I have this, I can't have that." Again there is the degree of satisfaction to be obtained and its relation to the "price."

Considering these in order : the housewife urgently desires one serviceable coal-shovel. That obtained, she is not keen about a second ; a third would bore her, and further shovels become a nuisance. Where a choice is to be made between two things not in themselves mutually exclusive, but in their " prices " alternative (and this is invariably the case with frugal people, that is, honest people of limited means) the intending purchaser may " balance " such different things as bananas all-round for a festive touch, or a new hand-broom ; or develop a preference between a pot of mignonette or a little special coffee. Thus a decision has to be made between gratifying a love of beauty and indulging the palate. This kind of choice has often to be made by those whose means are not entirely spent in procuring the barest necessities ; and even they will be found sometimes, under the stimulus of a deep devotion or the appeal of pity, to make a choice which seems little less than heroic. But " man does not live by bread alone," and other cravings than those of appetite demand " satisfaction." Thus the higher part of man constantly exerts an influence on his economic proceedings, and " psychic " as well as material satisfaction has to be recognized.

Next we come to the " degree of satisfaction and its relation to the price," and this brings us to the consideration of a very important economic qualification—*marginal*. The case first considered of the housewife and her purchase of fire-shovels was in illustration of the fact that after satisfaction can come over-satisfaction, or satiety ; and suggests that with each addition to the amount one already has, the eagerness for more decreases and sometimes disappears entirely. But in commodities not so lasting or so limited in use as fire-shovels, the intending purchaser may be led to buy more if the price is lowered. He will not, however, desire to get an unlimited amount ; for each increase will be a little less useful than the previous one. As an illustration, suppose that eggs are 4d. each, and that a person desires to have at least three a week. Should he

find that eggs of the same quality can be had for 3d. each, he will almost certainly buy four, thus incurring no greater expense and another egg. But suppose, on the contrary, they are found to be 5d. each ; he may determine that he must have his three, even though he goes without 3d. worth of something else. Next, suppose that eggs have become 6d. each ; and that the buyer decides that he must do with two instead of three, for though he was willing to pay 3d. more he cannot afford 6d. more in the week. Then the price 6d. represents the *marginal value* of the second (and last) egg he buys ; and to the seller this egg is the buyer's *marginal purchase*. The "margin" evidently being the border-line between buying and not buying ; between its being "worth while" and "not worth while" to have the third egg.

We are continually making silent and perhaps unconscious calculations and decisions of this kind. When "Fish is cheap to-day" and plaice which had been 1s. 2d. a lb. is marked 1s. a lb., many people might decide that the reduction was not tempting enough. Had it been 10d. a lb.—Yes : if so, 10d. a lb. is the *marginal value* of the fish. There are some things which, at certain infrequent periods, provoke purchasing when they are "cheap." Strawberries, usually 10d. a lb., may one day be offered in a particular place for 5d. The mother about to purchase a frugal pound for the children's tea will almost certainly buy two pounds. Remembering the possibilities for preserving, she may even treble her purchase ; and, since such an opportunity may not occur again during the summer, it may be even "worth" her while to get 10 lb., and no more. Nothing would induce her to get another additional pound ; thus the last 5d.—the price of the tenth pound—is the *marginal value* of the strawberries to her.

On the other hand, there are some things which may be used more extravagantly perhaps, but which are not bought much more largely when cheap than when dear.

Of such is bread, which in a poor household is a very important item in the weekly housekeeping, and in a rich one a comparatively insignificant item. During the Great War the British people found, for the first time in the lives of most the need for absolute thrift and care in the consumption of bread. Then all people of moderate income ate less than formerly, and some had to go short. But in normal times the quantity of bread eaten in a household does not vary greatly; few wish to eat more than the usual amount, unless there is a dearth of other food. Hence a baker can estimate with fair accuracy the amount he needs to make, the quantity to send out with his roundsmen, and what for his counter trade. When a commodity is found to be thus stable, the demand is said to be "inelastic"; though hardly anything else in general use has an equally "inelastic" demand. Many other things, which to well-to-do people are similarly necessities, as butter, milk, meat, and the many pudding-making materials found in a grocer's shop, have a very "elastic" demand; since in bad times they can be used very frugally, or done without altogether by those who are not well-to-do.

When, in a market, the "market price" of any commodity (say, wheat) is maintained, we recognize a balance, or equilibrium of supply and demand. If several would-be sellers are in need of money and decide that they will not, unless absolutely compelled, carry their corn home again, one or more will probably choose to offer his for a rather lower price. If the others follow suit the price all-round the market has fallen, and the buyers benefit to that extent. And though it may seem that the sellers must be incurring losses (if their original price was a fair one) there is to remember that the present possession of the price they get may be a greater convenience to them than a better price a week or two later. They may themselves have in view an advantageous bargain which must be entered upon without delay. Possibly by means of it

they may recoup themselves for the lessened price of the corn. Or they may have an opportunity of disposing of some commodity which at times commands good prices, if they use some of the money they have received to cover initial expenses—as early strawberries, or early potatoes, for which special packing boxes or baskets are required.

A popular description of how the judicious and careful manager balances his losses and gains satisfactorily is that said to have been given by a travelling showman. "What I lose on the roundabouts I make up on the swings." So evidently in his upkeep expenses he must keep both roundabouts and swings in sufficient numbers and working order to meet the popular taste. And it is always a counsel of wisdom to have more than one commodity to offer, or more than one kind of service to offer; which is expressed in the saying "Don't have all your eggs in one basket."

We may mention here a term which is often used in connection with the discussion of supply and demand. There are some things which are quite reasonably cheap but which many people would determine to have even if they were much dearer. Among such are a daily (or a weekly) newspaper, an umbrella, matches, pocket handkerchiefs. Anyone who cares so much for the newspaper that he would pay 6d. a day (or a week) rather than go without, but is able to get it for 2d. is sharing what is called the "consumers' surplus"; in this case 4d. a day (or a week). Similarly, since an umbrella saves the spoiling of clothes and is so essential that he would pay a guinea for one rather than go without, and he can procure one good enough for his purpose for 15s., he has a "consumer's surplus" of 6s. Of course if newspaper proprietors and umbrella makers could count upon a sufficient number of people willing to pay the higher price they would sell neither for the lower price. But they, too, have their compensation (or naturally they would discontinue their supplies). Because a newspaper costs only 2d., not only all the people who would have paid 6d. buy

it, but all those who would pay 2d. at the outside. And similarly with the umbrellas. For there is a far larger number of people to whom the "marginal value" of a paper is 2d. than those for whom it is 6d.; and many more also to whom 15s. for an umbrella represents "marginal



INTERIOR OF THE BALTIC EXCHANGE (See p. 63)

value" than those to whom it is a guinea. So that the increase of sales makes up for the lower price. The proprietor and the umbrella-maker have, however, to be careful that their lower price covers their expenses and gives them a fair return. They must not be like the old woman who offered shilling dinners for 10d., thinking "to make up on the quantity sold."

These various instances illustrate very well the truth of the quotation at the head of this chapter. We "further

each other's purposes as an indirect way of furthering our own"; and this expresses, too, the subject of our study in economics: "How we behave in the ordinary business of life."

There are still to be noticed two other conditions which influence price, besides supply and demand; they are custom and competition. In olden times custom was the great regulator of prices; in small communities without easy communication beyond their own borders, and without many variations in normal life, the little trade that was carried on was between people who expected only to supply their own needs by exchanging their produce, and not to make a profit. With the growth of trade and the increase of population we find sovereigns and governments endeavouring to prevent over-reaching by "fixing" prices for commodities in ordinary use, as they "fixed" the measures and the weights. The scarcity occasioned by the Great War led to the part revival of this old method, in the fixing of maximum prices for food-stuffs. But only the extreme difficulty of ensuring a sufficient supply for a large population and the need for preventing unprincipled people from enriching themselves by means of the necessities of others, permitted the adoption of "food control." Generally speaking, governments cannot determine quickly enough, or know enough of the state of the markets of the world, to intervene profitably in the actual buying and selling. They can, however, protect the public by requiring just weights and measures, and in our country this is most effectively done.

In remote country places we are reminded sometimes that custom has still considerable influence upon prices, ordinary farm and garden produce being sold at much cheaper rates than is usually the case. But where easy access to large centres of population, by means of railways or motor traffic, exists, it is found that custom becomes ineffective. The other condition is active, and competition from outside districts often absorbs all the spare produce

and more. It is not unusual to find that cottagers in a country village find it harder to obtain milk, butter, and green vegetables than dwellers in a town street.

The part that competition plays in affecting prices tends on the whole to lower them, as we should expect. If it is seen that a trader, or a body of traders, gains considerable returns, other people seek to enter that profitable pursuit ; and thus, if there are four shops or market-stalls instead of three, and only the same number of intending purchasers, the sellers will reduce their prices so as to tempt the customers to buy. This applies in great enterprises as in small. When some large industry, such as the making of motor-cars, is seen to be very remunerative to those engaged in it, others hasten to choose that industry rather than another. If then, say, three firms compete for custom in a town, instead of two, as formerly, almost certainly there will be some reduction in price for a time.

A century and a half ago, when economics first began to be studied by English people, it was seen how, with the regulations of kings and governments removed, the action of " free competition " seemed to regulate prices most satisfactorily. And in the conditions of our country, in relation to the rest of Europe at that time, the idea was quite justifiable and sound. For the next fifty years Great Britain led the way in manufactures, in invention of processes and machines, and in the production of things which people all over the world desired to buy. But when other nations became equally skilful and enterprising, possessed good railways and roads, and valuable machinery, they competed with Great Britain in the markets of the world. And often they were able to sell more cheaply, and therefore got much of our former custom ; nay, often sending their goods into our own markets and finding ready sale for them. This certainly had the effect of making many things extremely " cheap " ; but in order to retain their trade our own manufacturers also sold cheaply, and presently it was found that on this account the industry



was no longer self-supporting. This showed itself most injuriously in that it could not maintain the labour it employed—an unhappy state of things which we discussed in Chapter VII.

But though competition, when very keen, brings many disadvantages, wholesome competition between merchants, or manufacturers, or traders, is useful. For one thing it stimulates individual interest, exercises ability, gives impulse to improved methods and the invention of better instruments. It opens up new markets, develops discovery of new products, leads to closer intercourse between different countries. Thus it serves as does emulation in a class. Many persons are sluggish and indifferent unless challenged by the performances of others near them; with this rivalry they become energetic. It is, of course, lamentable if a worker, whether at school or in the world, will not put out his best efforts without this stimulus and cares only to beat someone else. But many who find an incentive in it, and make a start, afterwards work well and distinguish themselves from a more honourable motive.

### NOTES AND DEFINITIONS

*Marginal Value.* In connection with this subject may be noted that human wants, though intense and continually recurring, are each subject to what is known as "the law of satiable wants," on account of which the commodities on supply have a "diminishing utility." A good instance is quoted by various writers in the case of water. If its only use were for quenching thirst and preparing food the price we pay for it (in civilized communities usually in the form of a water rate) would be the amount we are willing to give rather than go thirsty or without cooked food. But water is used for other and less pressing needs; as washing our persons, clothes, and habitations; for sprinkling plants or window-boxes, etc. And if we had to pay according to quantity used, and the price went up, we should probably reduce, or cut off altogether, expenditure for the less urgent uses. The price of the last quantity retained indicates the *marginal value* (or degree of desirability) of that last quantity. It shows that the "want" which it satisfies is less easily "satiated" than the discarded wants.

*Syndicates and Trusts.* Combinations of manufacturers, merchants, or controllers of large businesses. The term "trust" was originally the American legal definition of amalgamated firms.

### Questions and Exercises

1. What do you understand by the following popular phrases : (a) good value for money ; (b) below cost price ; (c) striking bargains ; (d) falling prices ; (e) a saving of 50 per cent by buying now ?

2. Explain " material satisfaction " and " psychic satisfaction." To which do the following contribute : (a) daffodils ; (b) a bag of fine wheat flour ; (c) additional leisure ; (d) a £5 note ; (e) a plot of garden ground ; (f) a concert ticket ?

3. Name some services which are paid for at rates based on custom or usage ; and some at rates fixed by some authority.

4. Compose the opening speech of a debate on the motion : " That the influence of competition in trade is to the advantage of the consumer."

5. Enumerate some articles in a draper's or grocer's window for which you consider the demand must be elastic.

## PART III

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### THE CONSUMPTION OF WEALTH.

*"The world would go much better if everyone would buy fewer and simpler things, and would take trouble in selecting them for their real beauty."*—MARSHALL.

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### CHAPTER X

#### GETTING AND SPENDING

*"Since consumption is common to us all it behoves us to use care and forethought in practice."*—LIBERATORE.

SINCE the things that constitute material wealth are desired for their utility, that is, for their capacity to satisfy wants, it is plain that the end or aim of getting is spending; and, as only misers wish to possess what they cannot use, it is also plain that most of us spend in order to use the things we buy. This "use" sooner or later destroys the things, and this destruction is known as "consumption."

Some materials are destroyed (at least from their present form) with one such "use"; as food-stuffs, fuel, fragile "containers" and covers, materials used in cleaning and polishing, etc. Some last for many occasions of use, as household implements, ware, tools; and some for generations of users, as buildings, wagons, furniture, and some kinds of fabrics. But ultimately, and however carefully used and tenderly preserved, every material thing is consumed, that is, destroyed. This is their destiny and end. So that no lamentation need be made over such destruction *unless* it is wasteful or wanton. Everything that was destroyed in the Great War would ultimately have met with that fate, only the destruction would have been gradual and without violence. Man has had given to him material wherewith to make, mind wherewith to

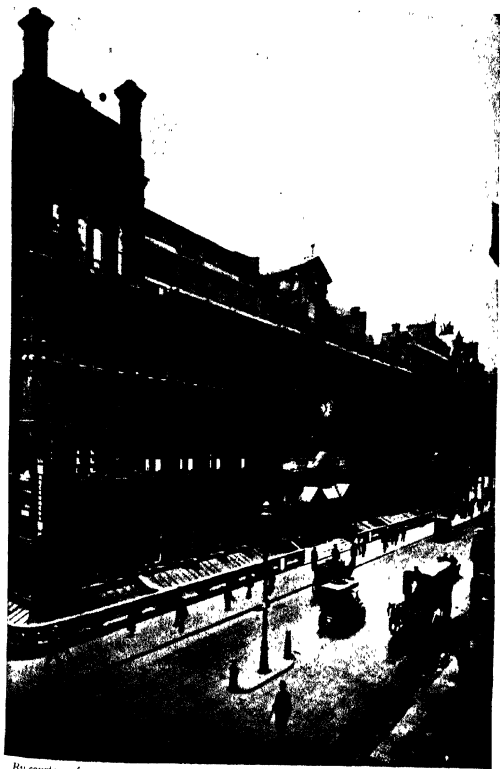
plan, and faculties wherewith to labour, in order that he may restore or replace the material wealth he consumes. But he cannot do this at great speed, and can do it only in accordance with natural law and his limited powers. And this is why the destruction wrought by the war is so painful and disastrous. It has been noted that in former times countries and districts recovered comparatively quickly from the effects of war, or fire, or pestilence. The great need called forth great efforts, and the work of restoration and replacing went on rapidly, though, of course, at the sacrifice of ease and comfort for many people.

Each member of a civilized community is engaged in consuming materials in two ways: one public, the other private. His public consumption by means of the State will be considered in a later chapter; his private consumption consists in the satisfaction of his own needs and wants. That "needs" and "wants" are not exactly the same thing suggests the two-fold nature of consumption: that of necessities and that of luxuries. We shall find that it is not easy to define exactly either "necessaries" or "luxuries"; both differ according to the work and position of the consumer. But there are some kinds of materials so clearly one or the other that they may be classed at once—bread, for instance, as a necessary, and iced strawberry cream as a luxury. But many things lie on the dividing line; at least the dividing "area," for it is by no means a "line." Some warm garments (in our climate) are necessities; fifty-guinea hats are luxuries, but suitable and dainty clothing lie between. Some water and soap are allowed to be necessities; a daily perfumed bath a luxury. Plenty of soap and water and convenience for using them at present lie between.

And in the course of time it is seen that many things once considered luxuries become necessities; the range of necessities to-day in England is very different from that of Queen Elizabeth's time, or even from that of King George III. The harsh black bread and coarse salted meat

and fish, which were the staple food of the poor in England in old days, are replaced by more appetizing kinds ; the shoes and stockings which were indisputable luxuries three centuries ago are now among the bare necessities. But at the same time and place, and for any particular section of the population, we have a sufficiently clear idea as to necessities and luxuries ; always remembering that many things not absolutely necessary to maintain life are necessary to maintain manhood and womanhood, and the self-respect that belongs to them. Many of these are classed as conventional necessities, because custom or convention requires that the person shall have them. Among such are clean collars for men serving in offices and shops, not needed so urgently by plumbers or scavengers ; dainty table-ware and equipment in the house of the schoolmaster, though not expected in the labourer's cottage, and so on. These expenses are sometimes scoffed at as "keeping up appearances," but that is one of the ways in which self-respect is maintained, and without this a man or woman loses the greatest incentive to effort. Some poor people are able to make far better use of their little income, because they live up to a "standard," than many better off people who merely indulge their appetites.

As no narrow dividing line can be drawn between necessities and luxuries, so no hard and fast rule can be laid down as to the spending of each individual person's income. But most assuredly it may be said that "care and forethought" should be used ; so that as extravagance and luxury are avoided, so also are meanness and miserliness avoided. In a rich nation like our own it seems that a great deal of money is spent on luxuries ; things which cost much and could easily be done without, with no loss of dignity or enjoyment. Some of the expenditure, too, is merely stupid ; the gratification obtained is so brief and so petty that it is quite disproportionate to the cost. There should, however, in every one's spending be some small margin for simple occasional "luxuries" ; be it



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only a better brand of tea for high days ; or an expedition in pleasant company ; or the purchase of a coveted book, or gift, or ornament ; since such are not only material gratifications, they are also " psychic."

In past times sovereigns and governments tried to restrain wasteful expenditure by stern regulations. These "sumptuary" laws forbade the wearing of silk or satin except by people of large incomes, or of a certain rank ; curbed the extravagances of fashion by limiting the length of the pointed toes of shoes, and the height of the ladies' head-dresses. But, as we saw in the attempted "regulation" of prices, the endeavour was not very successful ; and in modern times we rely rather on an intelligent public opinion to establish the checks. This public opinion is formed and inspired by the study and observation of the conduct which makes for the general welfare in economic matters, and by the development of conscience in the use of wealth. In past days, when only a few scholars studied economics, the people at large had no opportunity of understanding the subject. Hence it was very widely believed that luxury and extravagance were "good for trade." On the contrary, as is now seen, when by intelligence and industry and friendly relations "trade is good," there is so much wealth produced that something can be afforded for things outside the range of ordinary "satisfaction," but they must have second place.

A certain amount of expenditure on such stimulates the energie and increases the efficiency of those who enjoy them. But to have their full effect they must remain "occasional" ; if they become frequent it is lost. Hence the wisdom of everyone in a civilized country developing his own resources for amusement and inspiration, and creating a taste for simple pleasures and for accessible beauty.

The nature of the work in which many persons are employed—mechanical, monotonous, and ugly—has the effect of exhausting the spirit as well as tiring the body, so

that they do not care for anything but distraction—forgetfulness ; and often spend upon coarse self-indulgence or stupefying amusements as much as would provide them with happy occupations or beautiful possessions. With the introduction of shorter hours in the mechanical industries, it is hoped to find workers with sufficient free time to take up hobbies or pursuits which enrich them personally



A TYPICAL TOWN ELEMENTARY SCHOOL

instead of impoverishing them , to find, that is, that they no longer spend so much of their substance upon satisfying misdirected wants. As large incomes spent by wealthy people chiefly in display, or in acquiring excessive personal ease and comfort, are no permanent enrichment of themselves or the community, so high wages chiefly spent in strong drink, gambling and noisy amusements confer no benefit upon the workers, and fail to raise the standard of life for them and their fellows.

It is easily recognized that persons who possess much material wealth have great responsibility, and by the way in which they use it can do good or harm to numbers of



people, most of whom they know nothing about and many of whom live far away. But also, those of us who have but little material wealth have the responsibility of *spending wisely*; not only of buying the right things in the right way for immediate consumption, but also of setting aside some part, however small, for spending on more lasting benefits. We are reminded of this continually when we see a man denying himself tobacco or some small pleasure in order to keep up his benefit club subscription, or his insurance payment; or the mother making her old garments serve another year in order to keep a boy or girl longer at school. In these ways forethought is being used, and as the heading of this chapter tells us, forethought is necessary in the consumption of wealth.

Apart from these prudent considerations in providing for some future advantage, there is another. As we, none of us, live completely isolated lives but are members of a community, it is unbecoming to spend all our wealth upon ourselves. Every one of us should have some little store of savings, which it is true will benefit ourselves, but which also benefit the whole community of which we are a part. In primitive days people who wished to save had generally to hide their money; bury it, perhaps, or hoard it in a stocking under the hearthstone. But in our advanced social condition other and better ways are open to us. The money saved need not be actually hidden away but should be placed in a bank. It will then be used as part of the national capital, in producing further wealth, in replacing and restoring the things "consumed," and the bank will allow us some interest on the money thus saved. It seems worth while to share in this work of production, since it is only by what is saved (and not by what is spent) that this renewal of wealth can take place. We are thus furthering our own interests, in having something in hand for possible future needs, and we are also furthering the interests of others and, indeed, of the whole country.

Ruskin lays down some valuable truths concerning the

art of consumption and the effects upon the reproduction of wealth destroyed. He insists that no estimate of production or measurement of wealth can be reasonable unless we also consider first the kind of product and next the use to which it is put. Hence we have to remember that ill-directed production and consumption result in negative wealth, instead of positive wealth, in the possession of things and stimulation of desires which do not enrich but actually impoverish.

### NOTES AND DEFINITIONS

*Consumption.* Consumption is defined as "the destructive use of a product for the satisfaction of a human want." Hence this limited meaning of consumption does not cover the use of materials in the work of production, as that of iron-ore smelted and fashioned into implements, or a crop of flax dressed and spun into linen.

There are two extremes of conduct as regards consumption which the just person will avoid; one avarice, or excessive parsimony, the other prodigality, or excessive spending. Either of these habits is immoral, or against right, and anti-social, or an offence against our fellows.

### Questions and Exercises

1. Compile three lists of ordinary household utilities whose destructive use (or consumption) is: (a) immediate, (b) gradual, (c) very slow.
2. Suggest points for the opening speech in a debate on the motion: "That a tax upon luxuries is desirable."
3. Find out any remains of old sumptuary laws still extant.
4. Collect twelve "economic" proverbs.

## CHAPTER XI

### THE EXPENSES OF THE HOME AND THE STATE

*"As consumption is the end and aim of production, so life is the end and aim of consumption."*—RUSKIN.

It is the first care of an efficient business man or a good housewife to balance expenditure against income, with the advantage on the side of income if possible. Sometimes this cannot be done without much thought and care, even anxiety and sacrifice. Both the business man and the housewife will have two distinct classes of expense in

mind ; one, the absolutely essential, and the other, the desirable. If they both desire that their work shall be successful, and their administration just and acceptable to those concerned, they will be continually adjusting and readjusting their arrangements in the "desirable" division so that the real prosperity and well-being of the concern shall be assured. The one must not undertake tempting new contracts which will lead to failure in performing engagements already made, nor replace passable with entirely new machinery or plant at the expense of crippling his other resources. The other must not invest in some attractive labour-saving device at the expense of other departments of the house, nor spend so much on one child's school outfit that the others have to go short. And though the duties of the business man and of the housewife seem to be quite different, they both are increasing, or decreasing, the wealth of the community according to whether they do their work well or ill.

It may seem that the housewife's part is merely to direct consumption, while the business man's is to direct production, and hence that the latter is adding to the common stock of goods and the former is not. But as consumption, or use, is the very end and aim of production, the consumer who "demands" good and wholesome products, and will not buy shams and rubbish, helps to determine WHAT the manufacturer shall produce. And as it is through the "demands" of the many homes that businesses are kept going, we see that the housewife's part is a very important one. In other words, consumption, which sustains life, matters as much as production and, indeed, more.

Let us consider some of the absolutely essential EXPENSES OF THE HOME. First, shelter, a house, or part of one ; this may be the occupier's own property, or he may hire it, paying rent for the use of it. Next, food, which to keep up health and strength in our climate, must be more abundant and more substantial than in hot regions. Next, fuel and clothing are also required on a similarly

generous scale. And in each of these the degree of comfort, convenience, and suitability means a corresponding increase of expense. A good house, pleasantly situated, with rooms for different purposes, requires many pieces of furniture and some floor coverings and hangings. Similarly, food, which is not only enough to satisfy appetite, but also pleasant to the palate and varied in kind, requires additions in preparing and cooking, such as condiments, flavouring, and spices, and various utensils for its preparation. Fuel is needed for this no less than for warming the rooms, and its use, in the form of coal especially, makes dirt which requires tools and appliances for its removal. In clothing, no one in a civilized country can wear merely such garments as suffice to protect him from cold or heat, or rain; they must also have the appearance of conforming to a certain style in material and shape. The flowing garments and soft headgear worn by men in the East are never seen in the West; and besides the chief distinction of European dress from that of Eastern peoples, there are many minor differences in that dress itself, even before we come to the observance of fashion.

So that in a civilized community we see that many things are absolutely necessary, in some degree, beyond the bare materials; and so far we have mentioned only the more obvious need. To keep in health, not only must due shelter, food and warmth be provided for each person, but also some preventives and remedies for small ailments. And besides simple medicines and applications every careful housewife makes some provision for possible illness, in the form of special savings, or insurance, or club membership.

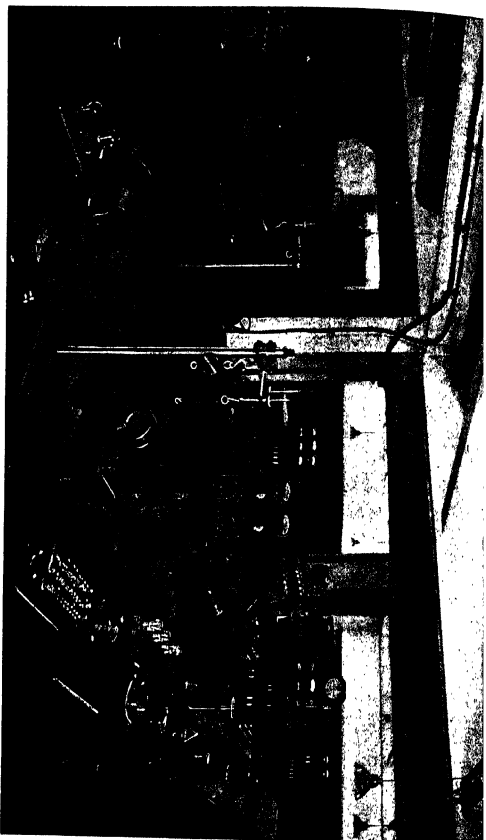
Next to health we may place education as a necessary. And this is a very important item in every family if the children are to be enabled to live happy and useful lives. And though the actual school fees in the elementary schools are paid by the State, and most others are helped by State grants or ancient endowments, there are many

expenses for girls and boys at school which have to be paid out of the home income.

And now that so many industries and employments need special skill and knowledge, the ordinary school subjects have to be followed by instruction in particular branches of work. This is known as TECHNICAL EDUCATION, and is intended to prepare the student for his future career and enable him to master it intelligently. Many parents deny themselves present pleasures and comforts in order that their sons and daughters shall have a brighter future. In this way they are adding to the wealth and the welfare of the country; their children will be more capable members of the community and will know better how to make the most of their powers.

After education may be put another absolute necessary: recreation. Everyone needs rest and refreshment for mind and body in turn with work. Even in the stern days of our ancestors it was understood that "All work and no play makes Jack a dull boy"; and the truth is now realized much more widely. The form of the word shows that the effect of our chosen amusements is a very striking and marvellous one: re-creation; and if, after them, we are less strong and fit for our tasks, we have either chosen our amusements unwisely or given too much time to them. Pursuits which give pleasant exercise to mind or body, which lift the heart (like a good laugh), or raise the spirits, send us back more energetic and efficient.

Hence we see that all these expenses of the home have provided us with things which we consume; that is, we either destroy them, or partly wear them out, day by day. But in doing so we are making them serve a useful purpose—to sustain, or protect, or preserve, or refresh us, which is the real reason why they were produced. The food we have eaten is actually consumed; the house, furniture, utensils and clothing, partly worn out; the cricket club subscription partly used; the concert or theatre ticket completely used, and so on.



REGENT STREET POLYTECHNIC, LONDON—THE ELECTRICAL LABORATORY

There remains to be said that in consuming these things we may often have exercised a choice between two ; perhaps the mother had to decide between getting milk enough for a pudding or another loaf of bread for tea ; or the father between his usual packet of tobacco and entrance to a football match ; the children between cakes for a treat or a visit to the cinema. It is not always unpleasant to make such decisions. On the contrary, it often gives zest to our enjoyment if we have had to balance it against something else.

Since in a civilized country we measure the cost of our consumptions in money, we may be said to " consume " the money we have thus spent ; and as we cannot both " eat our cake and have it " that money cannot be saved. But the individual person, or family, or community, whether small nation or great, is in a safe position only if less than the whole income is spent.

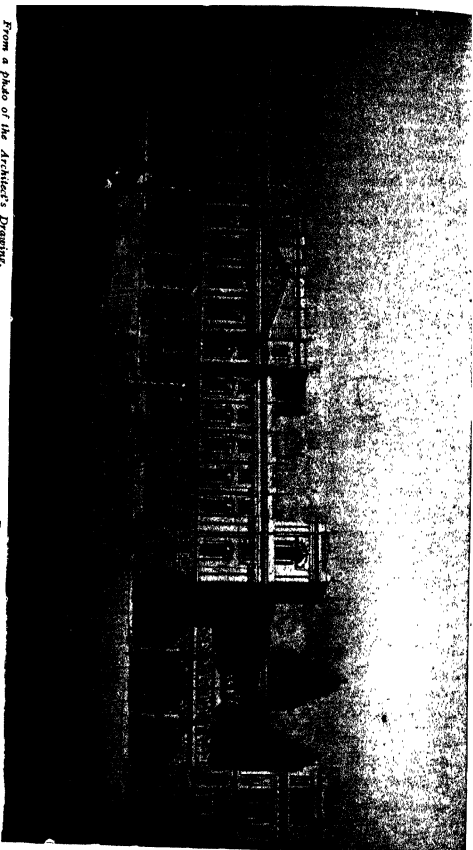
This brings us to the next part of our subject. So far we have been considering private consumption ; that belonging to us as individual persons or members of a family. There is also public consumption, or the EXPENSES OF THE STATE. In another chapter we shall see how these expenses are contributed ; here we are concerned with what they are for. It is easily seen that each of us is a member of a community ; that no one lives an isolated and independent life ; and that the various communities or groups make up the nation.

One of the first expenses of a nation is that of Defence, from enemies outside and wrong-doers within ; this is supplied in army, navy, magistrates and police. Others are the responsibility for the protection of industry, science, and art, for the health and education of the people ; for friendly relations with foreign powers ; for peaceable communication in trade ; for maintaining honesty of dealing between citizens, in regulating weights and measures and purity of materials. Various departments of government share this work between them ; as the Board of

*From a photo of the Architect's Drawing.*

BOARD OF TRADE OFFICES

*By permission of H.M. First Commissioner of Works*





Trade, the Board of Education, the Board of Agriculture, and the Home Office. All the departments of government supply public wants which no individual person or group of persons could themselves supply ; to do so they spend money, that is, they "consume" wealth. Soldiers and sailors have to be maintained ; barracks and ships and weapons provided ; judges and magistrates and police officers paid ; schools built and inspectors and teachers employed ; medical and scientific men to advise and direct in matters of health and sanitation ; and many clerks to keep accounts and attend to correspondence.

Then there are many public buildings, such as government offices, museums, art galleries, and ancient structures, which are the property of the nation and of which the Government has charge, to keep in repair and to add to their treasures. And besides the national possessions of this kind nearly all important towns possess somewhat similar things : libraries, museums, art galleries, parks and recreation grounds, sometimes concert halls, baths, and markets, which are the property of the local community, and are kept up by the municipal authorities at the public expense. Care and thought and skill are needed in the management of these large matters equally with that of the smaller ones of the private home. And also care and thought are required in the use of them, to avoid wilful or unnecessary damage or wear and tear. It is well known that rough and careless occupants of a house can contrive to make it and everything in it look uncared-for and shabby, until perhaps presently no one can take any pride in it and everyone is glad to get away from it as much as possible. So, rough and heedless people may cause public parks and gardens and galleries to look very unattractive, and may even do damage to fittings or structures. This is not only a wrong but it is also a stupid method of "consumption" ; it destroys wastefully and serves no good purpose.

Besides this flagrant "misdirection of consumption,"

there are others chiefly due to carelessness on the part of the purchaser, and sometimes to a mistaken notion of cheapness. A great deal of rubbish is made and sold merely because the consumers are unable to judge between good and bad commodities. Not only are they influenced by fashion or whim, but also by loud assertions in advertisements, in which the makers or proprietors of various things proclaim their excellence. A person who cares for curious calculations would find plenty of material and suggestion in the fact that in the United States of America as much as £120,000,000 was spent on advertisements in one year. An old proverb used to warn us against being "penny-wise and pound-foolish," and the business man or the housewife who cannot or will not consider and estimate carefully will often "economize" thus. "Where does all the cheap furniture go to?" someone asked; and received the brief answer, "Pieces."

Readers will have noticed that among the *expenses of the home* was reckoned the cost of reasonable amusement, and among the *expenses of the State* some of the ways in which it can be obtained. Museums and halls, and parks and gardens are among the things that minister to the common welfare in that all have a share in the enjoyment of what no single one, or even a few members of the community, could provide for themselves. These all make for the health and happiness of people; for what Ruskin calls LIFE. And only those nations and peoples who spend partly upon objects of utility and partly upon objects of delight are really satisfying human wants, the needs of the mind and spirit no less than those of the body.

#### NOTES AND DEFINITIONS

*The Expenses of the Home.* In our own country, and especially in all great towns, the heaviest item of expense is that which covers that first necessary—shelter. The rent of the house, part house, or room occupied is a considerable proportion of the tenant's income. The standard of life, so far as it concerns due space and accommodation for human beings, is far lower than the standard of living as regards quality and amount of food.

The insufficiency of houses convenient or accessible for large numbers of workers who must dwell comparatively near their place of employment has been a pressing evil for many years. The stoppage of all home industries—save the most urgent—during the years of the war, and the high prices of materials and difficulty of transport since, have intensified the need ; so that what is known as the " Housing Problem " is one of the acutest of the many painful hindrances to social welfare. Meanwhile the competition between would-be tenants for any accommodation creates a demand which sends up prices (that is rents) to an exorbitant degree.

*Technical Education.* Technical education, or more properly technical instruction, is now largely adopted to replace the nearly vanished system of apprenticeship. It should consist in the preparation and training of the learner in the use of the mental and material tools and implements of his chosen vocation.

### Questions and Exercises

1. Compile a weekly budget for the food and fuel for a family of father, mother, and two children.

Enumerate some of the many household necessities which do not appear under those two heads.

2. Write a short theme on *Recreation*.

3. Consult a *Whitaker's Almanac* and compile a short description of the expenses of Army, Navy, Justice, and Police for the previous year.

4. Write a paragraph in praise (or blame) of the methods of advertisement you have noticed.

5. What public institutions or advantages are there in the place where you live which make for : (1) capable citizens ; (2) happy men and women ?

## PART IV

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### GOVERNMENT

*" Good government encourages virtue, industry and public spirit in each individual citizen, and good will among the various classes of which the community is composed. . . . "*—RALEIGH.

### CHAPTER XII

#### THE STATE AND ECONOMICS

*" As we advance in our social knowledge we shall endeavour . . . to establish such laws and authorities as may at once direct us in our occupations, protect us against our follies, and visit us in our distresses . . . a government which shall have its soldiers of the ploughshare as well as its soldiers of the sword."*—RUSKIN.

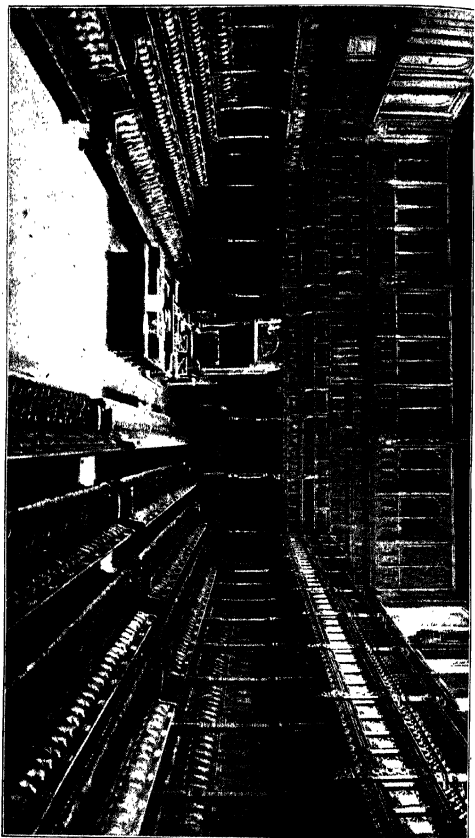
IN very early days when men lived in small groups and were unconscious of any tie which bound them to neighbouring—still less to distant—communities, government was a comparatively simple matter. Authority was vested in the senior members of the tribe or clan ; customs adopted for safety or convenience, being unquestioned, presently became law ; and most of the wealth possessed was common property instead of belonging to individual members. But when small communities have united together, and have accepted a unified control, they develop a sense of kindred aims and sympathies which grows into what is called a national consciousness. The governing power has then to be in the hands of a comparatively small number which, before and since the days of feudalism, is generally an *elective* body. If chosen by all classes of the nation it may even be a *representative* body, as in the case of Great Britain.

The primary functions, or office, or duty, of such a government are still, as in the days of early kingship, " to

guard against foes without and to maintain peace within." But the scale of action is immense, as we realize when we consult an almanac and note the number of government departments—the "machinery" of this protection and control; and the Supreme Council which, consisting of the three estates of the Realm—King, Lords and Commons—is known as the Imperial Parliament, and is responsible for its right working. In a democratic system like our own, where practically all adult members of the nation have some choice in electing representatives by means of the Parliamentary vote, we may think of the State as ourselves in our official capacity; and its political economy as our household economy on a large scale; national instead of domestic housekeeping.

We are accustomed to hear of the national income and national wealth, but with those the State has less to do than we ourselves in our private capacity; since they are the results of national (that is, the sum total of individual) industry. We also hear of the National Debt, and for this the State (that is, our official selves) is responsible, since it has come into existence through the expenses incurred in guarding and protecting the nation and furthering its interests. Although the counsel to live within one's means applies to large communities no less than to individual persons, there are occasions when the State is almost compelled to anticipate future income. And as many of the benefits provided thereby are for future generations as well as the present it is not unfair to let them share in the expense by paying the interest on the debt or redeeming it wholly or in part.

The matters which belong entirely to the province of the State are known as *political*, and they concern actual government; the making and administering of laws, adjusting relations with foreign governments, and maintaining justice. The State is also concerned to some extent in what are known as *social* conditions; the ordering and guiding of individual persons in their dealings with



INTERIOR OF HOUSE OF COMMONS

their fellow-men ; the undertaking of measures beyond the power of private bodies, such as the maintenance of the poor, and the regulation of building and sanitation, the provision of education and the prevention of crime. And equally the State has some considerable concern in things *economic*, that is, the production, distribution, and consumption of wealth.

In the modern world, however, with wide intercourse between distant countries, with trade so grown into greatness that it has become commerce, the economic range of affairs is larger than that of politics ; it is world-wide, States are local and national. The most useful function of the State in economics is the protection of the weak and the enforcement of just contracts. In our own country especially there is a lively jealousy of State control of trade, or State responsibility for commercial undertakings. This dates from the close of the eighteenth century when British people first began to study the theory of economics. It was seen clearly then that while governments had hampered trade they had never intelligently directed industry or fostered commerce ; and Adam Smith and his followers believed that in the production of wealth the action of competition was sufficient. To them it seemed to supply a self-regulating principle which kept the mechanism of economic activity working satisfactorily. This "let-it-alone," or *laissez-faire* theory, maintained its hold for half a century or more, but has been slowly modified during the past fifty years to meet the changed conditions of industry and international relations.

When the theory was framed Great Britain was the only considerable European country not impoverished by war. The discoveries and inventions of steam-power applied to machinery, and ingenious combinations of implements formerly worked by hand, had their rise in our islands, so that the products of their people's industry had entrance to the markets of the world. But a hundred years later other nations had "caught the trick" of machine production

and trade enterprise, and sometimes improved upon British methods. Hence no longer were British goods without competing commodities in all markets, our own as well as foreign.

So that the aid of government is often claimed, not only to protect the weak in the struggle of competition, by regulating wages, hours of work and conditions of labour, but also to encourage commerce and foster trade, by special arrangements of exports and imports. What is known as the factory legislation was the first important interference of the State in the relations of employers and employed, and it has been followed by hosts of parliamentary statutes—concerning sanitation, ventilation, dangerous trades and machinery, hours of work, and age of workers. Thus the State, while in no way checking fair private enterprise or just competition, places limits upon anti-social and injurious plans and methods. The adulteration laws are an example of the way in which the State seeks to protect the consumer.

There are, however, some fields of activity in which the State could not satisfactorily regulate, and hence has taken over the whole organization; in this country the postal and telegraph services are cases in point; in several of the continental countries the railways are managed by the State. These public utility businesses are often unsatisfactorily managed by private companies and may well be the responsibility of the State. Readers will have heard debated at the present time the advisability of the British railways and the British coal-mining industry being "nationalized," as essential and fundamental public utilities. There are others which are claimed to be inadequately supported and controlled for the common good while under private management—as hospitals, medical schools, and universities.

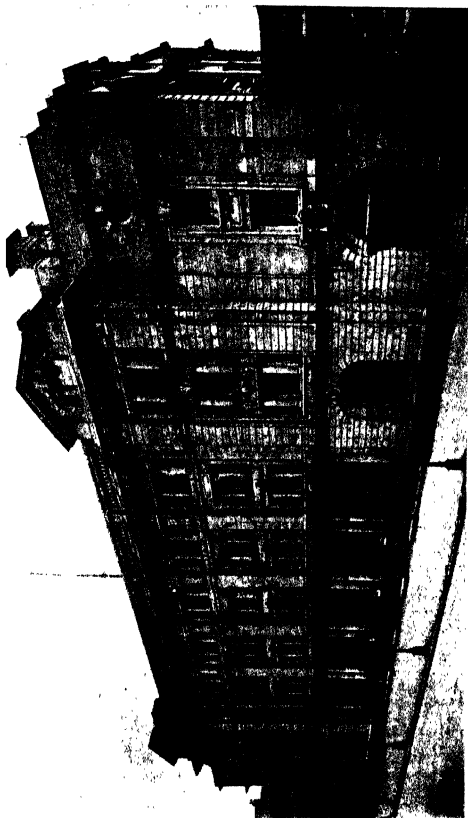
(To return to the primary functions of government: defence and the maintenance of peace. There are three reasons why the existence of the State, or the official body



of the nation is necessary: first, the human desire for companionship which leads men to form themselves into societies; secondly, their possession of certain rights, as the right to live, the right to be brought up and educated as responsible human beings, the right to liberty (so far as does not infringe on the liberty of one's fellows), the right to labour and to be duly remunerated for it; and thirdly, the human imperfections, moral and intellectual, which need restraint and direction for the common good. Thus, although the State, as controlling the "body politic," or the nation, is first political, yet men could not pursue in peace their business of everyday life, or economic activity, without its protection. Many of its regulations are to *prevent* violence and fraud, in order *not to have to punish* perpetrators of violence and fraud.)

After these main ends are achieved, the State also seeks to promote the happiness and well-being of the people by encouraging the gentler arts of life and fostering national well-being. Literature, science, art, music, and collections of rare and beautiful objects (as we saw in Chap. II) come under its care in a progressive country on the one hand, and on the other, the care of roads, bridges and other means of communication, the reclamation of waste lands, the protection of shores and harbours, the establishment of useful institutions, such as the Post Office Savings Bank, and encouragement of colonization.

In pursuing these primary and secondary ends the State is assumed to hold a level balance between conflicting claims of different sections of the people, and to promote the common good. The old English word *weal* has passed almost out of use, but once the "commonweal," or commonwealth, was the collective name for the nation in the act of governing itself; and it happily expresses the reason of the existence of the State. A government can live up to this noble ideal only if it is helped by the conscientious goodwill of the governed; and thus it is important that every intelligent member of the community shall know



*Copyright photo*

GENERAL POST OFFICE, LONDON  
Main Frontage

*A. E. Waisham*

something of the political and economic conditions under which he lives. In many departments of life things political and things economic overlap, or are intermingled, and it matters very much that, without being able to distinguish exactly between them, we should order our conduct in our everyday business of getting a living so as to advance the general good as well as to benefit ourselves.

### NOTES AND DEFINITIONS

*Imperial Parliament.* The name *Parliament* first appears in our history in the writings of an historian of the middle of the thirteenth century; *Imperial* has belonged to it only since the United Kingdom expanded into an empire. The powers of Parliament are threefold: to levy taxes, to make laws, and to determine questions of peace and war, and of all matters brought before it in the national interests. The two Houses combine the two principles of class representation and local representation.

*State Control and State Interference.* In economic matters the wealth and well-being of a people arise generally from their own tendencies and activities; and it is justly argued that the State should not assume responsibility for undertakings in industry or trade which individual persons and voluntary corporate bodies can perform for themselves. But there are three principal ways in which the State can beneficially affect the material well-being of the people: (1) by refraining from putting obstacles in the way, such as the placing of heavy taxes or narrow restrictions on production and unduly encouraging foreign competition; (2) by prudently protecting any exceptional cases of struggling industry; and (3) by stimulating energy and fertility of resource, by means of aids to education and commercial intercourse; by due recognition of skill or enterprise; and by the adoption of humane and just conditions of employment.

*Nationalization of Industries.* Some years ago the nationalization of the land was suggested as a remedy for the amount of poverty in this country. Such a change would involve the abolition of private ownership of land, and it would become the property and charge of the nation, or in its official capacity, of the State. Lately we have become familiar with the demand for the nationalization of the railways and other transport services, and of the coal-mines; even of the great productive industries of the country. Those who support the demand for this great change believe that thus will be more equitably distributed the gains of each enterprise and the more efficient service of the community assured. On the other hand, it is objected that the immense cost of the transfer in buying out private proprietors would form a heavy charge on the working for a long period; that it would be over-sanguine to expect that the State could manage an undertaking more thriftily than those whose gains depend upon good organization; and that from the experience of

government departments neither economy nor efficiency is markedly shown. The Post Office is selected as an instance ; every reform and advance in method, rapidity, extension, frequency, and variety of communication had to be forced upon the department by a few resolute and persistent members of Parliament ; its conditions of employment were unworthy of a State service, and its premises and offices were often not only unattractive in appearance but often positively insanitary. It is further objected that the establishment of a great industrial department might be merely an addition to bureaucratic cost of the former profits of private owners.

## Questions and Exercises

1. Mention that public service of the State which : (1) defends ; (2) maintains peace within ; (3) represses fraudulent dealing in commodities ; (4) encourages intercourse and communication.
2. Name some of the ways in which the State intervenes in private business to : (1) protect the weak ; (2) encourage commerce ; (3) foster trade or agriculture.
3. Bring three arguments for and three against the taking over of hospitals by the State.
4. Describe some of the advantages and disadvantages which we should expect to accompany the nationalization of education, including universities.

## CHAPTER XIII

### THE COST OF GOVERNMENT

*"A tax is a compulsory contribution of the wealth of a person or body of persons for the service of the public powers."*—BASTABLE.

SINCE the public powers are constituted for the convenience and advantage of the nation at large, it is at once just and necessary that those who benefit should contribute to the upkeep of the State. The income at the command of the public powers is known as the Public Revenue. Some of this is obtained from rents of Crown Lands and Government property, from the work of the Mint and the Post Office, and from interest on loans to foreign countries. But the greater part is obtained from taxation.

We have seen that the supreme authority on national affairs is the Imperial Parliament, but it delegates some of its control to minor councils throughout the country for

the better management of the smaller details. These are known as the Local Government authorities, and, like their Imperial model, they also have the right of levying taxes for their administration. Those claimed by the Imperial Government are described as taxes, and those by the local councils as rates, since their amount is calculated upon a certain "rate" per rental value of houses or property.

Lovers of history will remember how often we come across records of excessive or capricious taxation by powerful sovereigns or their ministers, and how often the manner of collecting even just and necessary taxes was tyrannous or offensive. It is a matter of pride and satisfaction to subjects of the British Empire that, though taxes press hardly upon many of us, yet they are exacted for desirable purposes, and are levied according to known and fixed scales, sanctioned by our representatives in Parliament. These equitable conditions have been arrived at only after much thought and care, and the study of certain principles which underlie them.

The great economist, Adam Smith, to whose writings we have referred in earlier chapters, expressed very clearly these principles of taxation—

1. Taxation should be equal ; each subject contributing according to his capacity.

2. The tax should be fixed in amount and not arbitrarily altered.

3. The collection of the taxes should take place at convenient times and by convenient methods.

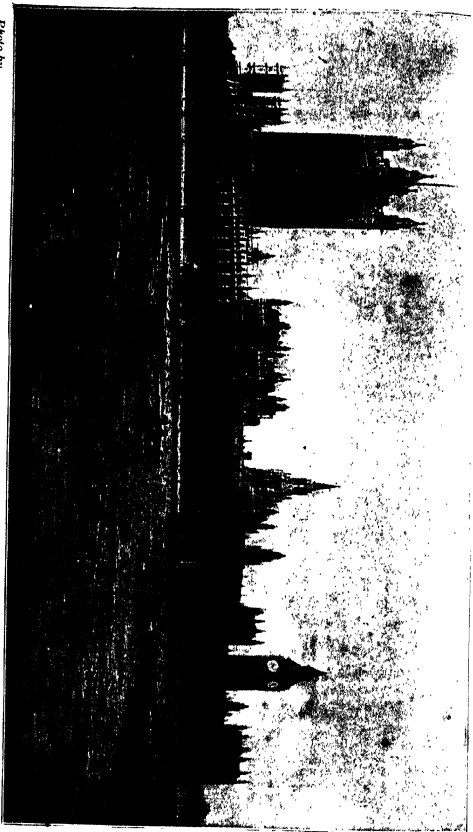
4. Taxes should be contrived so as to take as little as possible from the payer beyond what actually reaches the State Treasury.

In applying these principles we find that our system of direct and indirect taxation permits a good deal of inequality (Principle 1) and of loss in transit (Principle 4). The best known example of direct taxation is that of the income tax. The impost appeared first in our history in the twelfth century and was levied to equip the crusaders,

*Photo by*

HOUSES OF PARLIAMENT

*Firth & Co., Reigate*

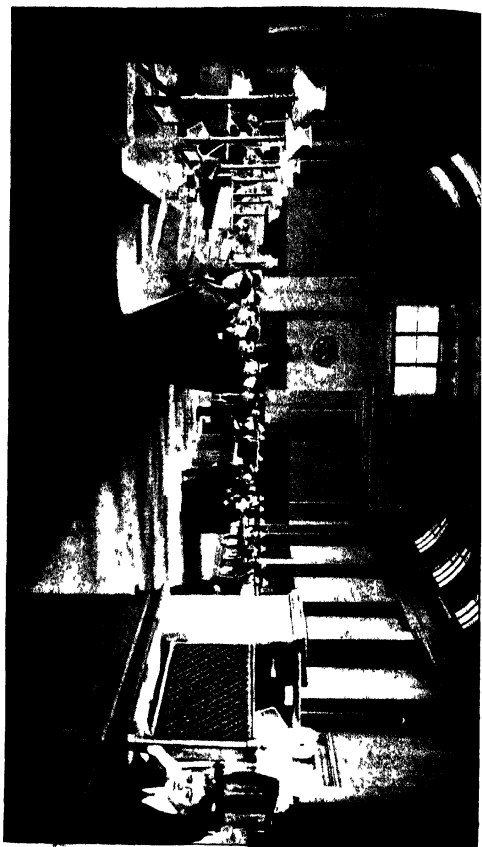


## MAN'S WANTS, WORK AND WEALTH

under the name of the Saladin Tithe. It was then a tax on "movables," that is, personal property. But it did not become an institution of permanent standing until the middle years of the nineteenth century. This tax, as at present levied, is the one which best expresses "equality of taxation, since quite small incomes are exempt from taxing, and the rate of tax increases with the income. In old days our sovereigns and governments often followed the methods of continental and Eastern countries, and "farmed out" districts to baronial collectors. It was, of course, to their interest to exact as much as possible in excess of what they had agreed to pay in. This method is now almost confined to the Turkish governments, who have by no means outlived their evil name for extortion.

The indirect taxes are those collected at the ports on goods brought into the country, and though it is convenient in collection yet its incidence, or weight, is increased by the time the commodity is purchased by the consumer. Many taxes imposed, upon sugar for instance, or tea, amount to a very small addition to the price of a pound, say. Yet the coinage permits of no less addition than  $\frac{1}{4}$ d. and generally speaking  $\frac{1}{2}$ d. (except in the price of bread), so that the commodity is sure to become at least  $\frac{1}{2}$ d. a lb. dearer, and of this increase not nearly the whole goes to the State Treasury. But many people object to a tax—if they know it as a tax—and mind much less the increase in price of the goods they consume. Here the Chancellor of the Exchequer discreetly takes into account the "psychic" as well as the material effect. So long as people would rather pay a little more on each of several commodities in universal demand than be "bothered" to meet a direct tax, the collectors of revenue are quite content to have it so. It has been argued that if we were all intelligent and all honest we should insist upon having all taxation direct.

Besides the income tax, others levied directly are the



INTERIOR OF LONDON CUSTOM HOUSE



land tax, the duties on property bequeathed by will, known as the death duties, the stamped documents that make legally valid the transfer of property, and agreements and contracts and the printed forms known as cheques. There are taxes on vehicles used for pleasure or display, on armorial bearings, on male servants ; and licences to trade in certain ways as, for instance, auctioneers, dealers in spirituous liquors and tobacco, and for the sale of stamps. Inhabited houses and business premises are also taxed. The collecting authority for these is the Board of Inland Revenue, one of whose offices may be seen in any considerable town, and the Post Office.

In bygone days it was one of the royal prerogatives to regulate trade and commerce by means of imposts and monopolies, but British economic theory in modern times is inclined to support the principle of *no taxation except for revenue*. This idea was at the bottom of the agitation which led to the abolition of the Corn Laws (Chap. III), since it was felt that the high price of bread, a prime necessary of life, inflicted hardship on the poor and profited only the landowners. For many years British thought and policy has supported Free Trade and rejected protective duties of all kinds, and we had ceased to grow or provide food-stuffs and other commodities which could be purchased more cheaply from other countries. The system seemed satisfactory in a world at peace. It was a development, or continuation, of the division of labour which worked so admirably in increasing production. But with the Great War there were revealed weaknesses and defects which continue to make us less certain as to whether cheap production is really cheap in the end.

The decreasing cultivation of the land and concentration on manufactures led to the dwindling of the rural population and rural industries ; to the accumulation of large numbers in crowded towns, with the consequent physical deterioration ; to the passing of certain important industries to foreign nations, with grave inconvenience and even

peril when the European War broke out ; to the transforming of the majority of the workers into machines or machine-tenders ; and to the deterioration in quality and workmanship of manufactured goods of all kinds in the competition with similar imported goods.

But as the protective duties of the past were seen to profit one class of the community at the expense of the rest so, in seeking to encourage home industries and to foster home production, it will be necessary to guard against the encroachments of great interests while retaining essential materials and methods of manufacture for the national safety.

There is one trade which is strictly regulated, protected, and heavily taxed, namely, that in spirituous liquors. Home-brewed beer, imported wines, and imported and home-distilled spirits are handled and sold only under a system of licensing. This is partly because they are of the nature of a luxury, and to tax luxuries is assumed to be good finance ; but also partly because the indulgence in them is harmful, and to make consumers pay heavily appears to be a disciplinary measure tending to check abuse and to promote temperance. There seems, however, no likelihood of the British Government's ever taxing the use of alcoholic liquors out of existence. The national taste for beer, the scarcity of palatable substitutes hitherto devised, the strenuous and anxious mode of life of many classes of the population, the few opportunities for social festivity except those in which the hasty consumption of an artificial stimulant brings temporary exhilaration, the cold climate and the indifferent cooking and preparation of food throughout all sections of the population—these conditions all combine to establish and retain the habit of depending upon intoxicating liquor for physical enjoyment. Meanwhile the revenue profits greatly by the taxes imposed, though it is a consideration of more than economic importance that a large proportion of it has to be expended in the maintenance of police and prisons and asylums and

poor law institutions, made necessary (in part, at least) by crimes and destitution arising from drunkenness.

Besides the four great principles of taxation quoted above, there are also some prudential maxims which the governments of progressive states endeavour to follow—

1. Let the tax be fruitful ; that is, sufficiently remunerative to repay not only collection but also to balance its unpopularity.

2. Let the tax be certain ; so that you may anticipate returns correctly.

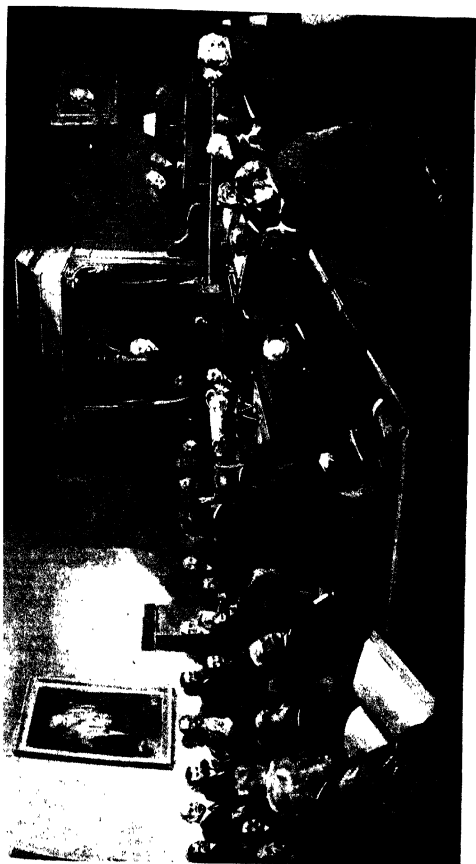
3. Let the tax be convenient ; so as not to provoke evasion or resistance.

4. Let the tax be inexpensive ; that is, not costly to gather.

5. Let the tax be straightforward ; that is, drawn from the pockets intended.

The local taxes, or rates, which the various local authorities are empowered to collect are assessed on the rent-value of the lands or houses occupied. The printed forms which demand payment bear the clear statement of the rate in the pound, and the purposes to which the money will be devoted. These always include the relief of the poor, and the sanitary rate, and may also comprise education, public library, etc., often included in what is termed "General District Rates." It is interesting to note that the early ancestors of the local rates were the *trinoda necessitas* of the Anglo-Saxons: the maintenance of fortifications, the repair of bridges, and the duty of military service, and these were paid in services. The slow transformation by which they have come to be paid in money is a good illustration of economic development.

A resident in a well-governed, well-managed town must often have occasion to recognize how great is the value of combination of effort, since with the best will in the world he could never provide for himself the share in the comforts and conveniences which he now enjoys in the forms of



COUNCIL CHAMBER OF A CITY

good roads, drained, paved and lighted streets, pure water supply, and safety of person and property.

Local authorities possess, within limits, the privilege of the Imperial Government in borrowing loans. But the purpose must be one of indisputable usefulness, of permanent advantage, and beyond the means of one generation of inhabitants to provide. Among such might be the building of a sea-wall, or the reclaiming of waste or derelict land, or the construction of houses for the industrial population, or the provision of an additional water supply.

This brings us to the consideration of the National Debt, an encumbrance which every European nation now bears upon its shoulders. The British National Debt was first incurred in 1664 ; in 1690 it amounted to £16,000,000 ; in 1710 it had grown to £54,000,000 ; in 1763 to £139,000,000 ; in 1776 to £248,000,000 ; and in 1815 to £840,000,000. Eighty years later it was £709,000,000 and steadily increased until the early years of the present century. Since, and mainly owing to, the Great War it has risen to the colossal amount of £2,000,000,000.

The dates given above are in most cases those marking the end of a war, for this calamity has in recent centuries been the most frequent cause of great loans being borrowed by the State. When the Government "issues a loan" it is an invitation to private citizens and societies to invest money at a published rate of interest ; and they thus become creditors of the State. The certificate of purchase guarantees that the holder possesses the named amount of "Government Stock," and is a money-document. The interest is paid at stated intervals, generally half-yearly ; and, while not so high as that offered by many trading companies, the investment is safer, since the credit of the nation is behind the promise to pay. The calculation of price and interest of these and similar investments forms one of the more interesting technical sections in an arithmetic book, under the heading "Stocks and Shares."

We have always to remember that the drawback of a

very large National Debt is that the interest to be paid on it amounts to a great deal ; and sometimes governments have been driven to make other borrowings in order to obtain the necessary money for these payments. That way bankruptcy lies, whether in private or public finance, unless pursued in the rarest cases. An intelligent and business-like government always endeavours to pay off part of the principal each year, by buying up a certain amount of the stock. The money page of the daily papers records the prices of the various State and trading companies' stock each day as recorded at the Stock Exchange. Sometimes, as in the case of the recent War Loans, the Government announce a period of time at the end of which they undertake to repay the principal ; it is thus only a temporary loan. If no such arrangement is made the loan is understood to be permanent, but any individual investor can dispose of his stock in the " money market," at whatever happens to be the price for the day. The Bank of England (*see* Chap. VI) is the channel of communication between the State (borrower) and the private citizen (lender) and pays the interest (or dividends). The Post Office Savings Bank also assists in this for small investments, and was empowered in the stress of the Great War to purchase and transfer the stocks.

Probably every reader has heard the term " Consols " applied to some mysterious holding worth money and paying interest. This term is the shortened form of " Consolidated Debts," which describes the massing together of various loans made at different times and at different rates of interest, and the adjustment of the amounts and the interest in a fair arrangement. It will be noticed that this has always a line to itself in the quoted lists of prices of Government Stocks.

Besides the loans borrowed from the general public there are also others for short periods which are borrowed by the Treasury as need arises, and are known as Treasury

Bonds. They are taken up by bankers and great financial houses, and as they are for brief and varying intervals of time they are known as the Floating Debt.

A way in which modern States lighten, though it does not get rid of, the National Debt is to make from time to time what is known as a Conversion. A loan which was to have been paid off at a stated price in a given year is



CONSOLS OFFICE, LONDON

“converted” or passed on at a lower rate of interest to a much later date. An instance has recently occurred in our own country. Some of the National War Bonds, repayable in the years 1922-25, and carrying interest at 5 per cent, are being “converted” if their owners agree, to a loan repayable in 1960-61. Holders are invited to receive £165 for every £100 held, but to have interest at the rate of  $3\frac{1}{2}$  per cent per annum instead of 5 per cent. This will spread the payment of the interest over a longer time and thus relieve the Government of some pressure,

while any individual holder will receive rather more in interest per annum, but risks having to sell out his stock at a loss should he need the capital before 1960-61.

## NOTES AND DEFINITIONS

*Public Revenue.* The amount of this is estimated and published, with details of amount of returns from each tax and the mode in which it is expended, in *Whitaker's Almanac*, which has some very interesting pages on this subject.

*Local Taxes or Rates—*

## SPECIMEN OF A DEMAND NOTE FOR RATES FOR HALF-YEAR

Parish of

Union....

Rural District.

Name \_\_\_\_\_

Address

The Overseers of the Poor demand payment of the under-mentioned Rates, and of arrears (if any) of former Rates, as below, now due from you, viz., Poor Rate made the 28th day of October, 1922, to meet expenses which will be incurred before the 31st day of March next, and of the Special Sanitary Rate made on the same day.

Rateable Value.	£	s.	d.
Poor Rate—			
at 3s. 8d. in the £ on Buildings and other Hereditaments not being Agricultural Land			
at 1s. 10d. in the £ on Agricultural Land			
Arrears of former Rates			
Special Sanitary Rate at 1s. in the £			
On full Rateable Value			
Arrears of former Rates			
Total amount of Rates			

*Assistant Overseer and Collector.*



And on the back of the form ~~are stated~~—

#### PARTICULARS OF POOR RATE

Purposes for which the Poor Rate mentioned on the other side was made and the amount in the £ levied for each purpose, half the amount being levied on Agricultural Land—

	s.	d.
Relief of the Poor and other Expenses of the Guardians * .		7
General Expenses of Rural District Council (including Highways)	1	2
County Contributions . . . . .	1	9½
Expenses of the Overseers . . . . .		1½
Total . . . . .	3	8

#### SPECIMEN OF DAILY REPORT OF PRICES OF GOVERNMENT STOCKS

##### Yesterday's Closing Prices

##### British Funds—

Name.	Price.	Changing.
Consols . . . . .	46½	
Funding Loan 4% . . . . .	71½	- ½
Victory Bonds . . . . .	79½	+ ½
War Loan 3½% . . . . .	87½	+ ½
" 4½% . . . . .	80	+ ½
" 5% . . . . .	87—	- ½
" 4% . . . . .	95½	
Irish Land 2½% . . . . .	51	
" 3% . . . . .	53½	
1922 New War Bonds . . . . .	100½	
1923 " . . . . .	99½	
1928 " . . . . .	98½	
1929 " . . . . .	98½	
Local Loans . . . . .	53½	
India 3½% . . . . .	56½	
" 3% . . . . .	49½	

#### Questions and Exercises

1. Distinguish between direct and indirect taxes.
2. What food-stuffs on an ordinary breakfast table bear imposts which contribute to the National Revenue?
3. What do you understand by Free Trade; and what by Protection?
4. Set down in the form of a dialogue some of the things that may be said for and against *the abolition of indirect taxation*.
5. Suggest some taxes which you think might be beneficially abolished; and say in what better ways you think the money might be raised.

## XIV. SUPPLEMENTARY CHAPTER

## SOME FEATURES OF PRESENT-DAY ECONOMICS

UNDER the stimulus of competition, not only of British merchants and manufacturers among themselves, but especially of that of merchants and manufacturers of other countries in the markets of the world, there have been devised various forms of saving in material and effort, by means of which additional products are obtained with less than proportionate outlay.

One such is the *utilization of waste products*. In almost all manufactures, from silken garments to chocolate cream, there are stages in the process of preparation in which part of the material is rejected. Tons of stuff from the woollen and cotton industries were for many years unprofitably cast aside; scraps and fragments from the metal and leather trades were similarly treated; and, indeed, hardly any form of production was carried on without its attendant waste. But in a well-managed business of to-day there is hardly any waste material. In some cases the former refuse is worked up into useful, or at least passable, products in another department of the factory; in others it is disposed of to different makers who have found it worth while to establish extensive plant and machinery for the purpose. Nor does the condemnatory term "shoddy" justly describe many of these ingenious transformations, though some have well-earned disrepute attached to them.

Much ingenuity is also exercised in producing, finishing off attractively, and finding a growing market for small articles made from these waste materials. Very possibly the members of the general public, that is, the unthinking consumers, have little idea of the real nature of the things they use or wear; the intricate arrangements by which

they have been established in popular fancy as desirable or necessary; and the ease—in most ~~cases~~—with which they can be done without. An instance will occur to readers who have noticed the unsubstantial handbag carried by most townswomen, made necessary by the tyranny of costumiers who ruled out pockets, and accepted gratefully as substitutes. During the war many people must have been struck with the rapidity with which cases for currency notes and for rationing cards were on sale; the wide use made by nearly all traders of dummy packets of proprietary goods, which kept going numbers of small cardboard industries, and so on.

But though many of the by-products are of no great value, and some not far removed from rubbish, yet in many cases the new form serves its purpose and its preparation is at once skilful and honest. Whenever this is so we may appreciate the accordance with nature's methods, in which nothing is wasted though its form may be changed by an infinite series of processes.

We have not yet, however, succeeded in utilizing the total refuse of manufactures, or, indeed, of our domestic life. There is a large amount of accumulated ugliness near any great manufacture or working, consisting mostly of the unusable refuse of the trade, and the spoilt remains of fuel, ore, metal, and rag, consumed in the preparation of the commodity. The same unattractive feature is to be seen on the outskirts of nearly every town and village, where the local authority wrestles grimly, but at a disadvantage, with the refuse of the district. Every housewife has acquaintance with the difficulty of disposing properly of the odds and ends of household rubbish. During the scarcity of simple materials occasioned by the Great War it became worth the while of public bodies and private agencies to collect scraps of paper, string, rag and metal, which are the unwanted remains of articles of personal and domestic use.

Another device is that known as *standardization*. Great

Britain having for nearly all her commercial life maintained a strongly individualistic policy, through which initiative and enterprise were matters for the citizens themselves, her products often bore the stamp of individual thought rather than of uniformity. This is an excellent characteristic aesthetically, and we would not willingly part with Chippendale furniture or Wedgwood ware. But in the metal industries where every machine, from a railway locomotive engine to a bicycle, has a large number of parts, nuts, screws, bolts, sheaths, etc., the difficulty of replacement and repair was greatly increased by small differences in diameter, thread, fitting, and so on, which distinguished the work of separate firms.

These instances are concerned with material and form ; there are equivalent devices for method. One such is the *shift* system ; by which relays of workers are employed in order to avoid the loss of time and the expense of having machinery standing still or furnaces damped down. This is one of the ways in which the man becomes subservient to the machine. In some of the great industrial centres where the system prevails, the different members of the family may have their working hours overlapping or separated by intervals of time throughout the day and night, so that any united home-life is impossible. Nor can the taking of meals be accompanied by any of the amenities of civilized life ; or the provision of them be less than an increasing burden on the wife and mother. It is one of the ironies of the mechanical inventions and discoveries of recent years that, though in each case man seems to be yoking to his service a fresh power, and bending to his will the action of natural forces, yet the total result involves, besides great increase of material wealth, the gravest encroachments on human dignity and personality. One regrettable circumstance is the large number of rank and file workers who are conscious of no satisfaction or responsibility in their daily occupations, and the consequent

amount of supervision. Overlookers, superintendents, inspectors and officials representative of authority form a large contingent in the staff of every business concern, to ensure that time is not wasted or work scamped. The system is 'double-edged. A pervasive and watchful authority provokes attempts to outwit it ; an irresponsible getting through the day's labour without integrity of purpose has to be controlled.

Of recent years several plans have been suggested, and some have been tried in a few cases, by which even the least skilled and important employee might be invested with some sense of common interest and responsibility in the success of the business. Ordinarily, it must be confessed, to the individual worker who wears the shoe that pinches it is not at all clear that his goal and his employer's are the same ; that his interests and those of the firm coincide. The true bearing of things even less involved is often obscured by nearness and distorted by pressure of circumstance. Yet it is indisputable, for instance, that since neither could effect its purpose without the other, the contributor of the capital and the enterprise, and the contributor of the actual labour, are yoke-fellows. The worker is heavily handicapped in a system which ignores the truth that he contributes " all that he hath," and in case of failure loses it, even " his living " ; while the other partner at least has something else to realize.

Of the various schemes proposed, those of co-operation in management and profit-sharing are the ones most discussed. The former marks the clearest recognition yet given of the human personality of the labourer and the dignity of his labour ; the latter appeals directly to the supposed universal desire to acquire greater means. As regards the sharing of profits, perhaps we can better estimate the fairness if we assume that such arise only after all due remuneration of enterprise, money risk, business management, and actual mental and physical

toil. At present, in most cases, the proprietors alone determine this "due" remuneration, and generally consider that it consists of everything beyond the payments bound to be made under the heading "costs." The idea is strengthening that, in manufacturing, even less than in farming or mining, the surplus gain, which may come from various circumstances, does not necessarily belong morally to the dominant partner; and an outcome of this growing conviction is the attempt to distribute part of these profits equitably among the workers.

So complicated, however, and apparently antagonistic are the organized policies of both owners and employees, that the proposal is often rejected by the official representatives of labour. They anticipate a corresponding deduction when losses occur for which they are in no way responsible, and above all they suspect in it a device for preventing high wages. The future possible gain is too heavily discounted to be accepted in exchange for present additions to earnings.

The sharing of responsibility, by means of elected representatives of the workers on the boards of management, their claim to know something of the undertaking in which they spend their energies, is often strenuously opposed by the employers. But in a few notable instances the experiment has been tried, and with marked success; success, that is, in maintaining a humane relationship between the parties concerned. The strain that exists between those who control and those who serve, the grudging spirit and the mutual suspicion are influences of embitterment that everyone must regret. The economic tie or "business nexus" is not of itself sufficient to hold together men who are capable of reason and are swayed by other motives than self-interest.

A few years ago the "unearned increment," which went to swell the returns of those who possessed or controlled agents of production, was the stumbling-block in the way of goodwill; of late it has rather been the affront to

personality which the irresponsible position of the worker involves.

Though these matters belong primarily to the parties immediately concerned, everyone who desires to live in accord with right principles must desire to see harmonious relations between men who give valuable and often indispensable service to society. Hence the need for all to think carefully and to know something of the working of the tangled interests which together advance the ends of the community as a whole.

We have seen in an earlier chapter that combination or co-operation among individuals immensely increases their power over matter and its manipulation. In a narrower sense co-operation describes a system of sharing responsibility, management, and returns which seems to eliminate the opposition between owner and worker. The various attempts that have been made to establish it in farming, manufactures, and retail trade have so far left it prosperously established only in the last-named. We are familiar with the term Co-operative Stores, and understand them to mean associations of consumers, who band together to purchase materials and goods in bulk, and purchase them as individually required, any resulting gains being shared according to: (a) contributions, or (b) purchases among the society. At their first foundation these organizations were really societies and their members were their own clients. But the natural desire for a larger "turn-over" invariably dictated the throwing of them open to the public; and presently many became merely large firms, with a business management and a few members, relying upon general custom for support. In the North of England, however, its original home, the co-operative system is seen in much of its intended form—an economic association of consumers.

A characteristic of modern industry which must be noted is the increasing part taken by women in production, and the beginnings of their specialization and organization



EMBLEM OF AMALGAMATED SOCIETY OF ENGINEERS



as workers. The Industrial Revolution saw the initial step of women as industrial "hands" outside the home, and the succeeding half-century confirmed their position in certain forms of labour. In the textile manufactures women early took a prominent place and a more favourable economic position than in any other until recent years; for the deftness, skill and application of the individual worker in spinning and weaving, but especially the former, received its due wage, whether supplied by man or woman. In other manufactures the introduction of female labour was occasional, spasmodic, and confined to unskilled tasks with a consequent low rate of wages. When all industrial workers were receiving, not only relatively, but absolutely, small remuneration for their labour, the competition among women and their entire lack of organization in unions, permitted their wages in many forms of industry to sink to starvation level. Until the factory legislation imposed a check, female labour contributed not only to the lighter parts of the mining and iron-working industries, but to many of the heavier. Students of social history are struck with the fact that as resolute opposition came from the underpaid workers themselves as from the organizers of the industry; and in recent years there took place a number of processions of pit-girls and chain-makers to the House of Commons to protest against legislation in their supposed interests. A theoretical reason for this antagonism is, no doubt, the old British dread of "being done good to"; but the biting practical one which all could understand was the conviction that "Half a loaf is better than no bread." However unsound this proverb may be as a permanent economic principle, it undoubtedly expresses truly enough the short view, which is all that the toiling wage-earner can be expected to take.

The trade unions which at length men succeeded in organizing in their own protection have almost entirely let alone the idea of including women industrial workers as well; and the latter have hitherto been unable to

marshal their units effectively and establish the method of collective bargaining which has served the men's cause so well. Not unnaturally, perhaps, this abstention on the part of the men's unions had a curiously retributive effect which was painfully noticeable before the Great War. During the years 1900-14 there was a great amount of unemployment in all except a few prominent industries. Numbers of men were out of work, not only through slackness of trade, but also because employers discharged men and employed women instead. The organized industries in raising the wages of their members, through their regulations, had effect on many employments not served by trade unionists, which at first seemed all to the good. But with increasing competition employers everywhere were adopting the method named above. It was a familiar experience in any poor neighbourhood to find the men out of work and their wives out at work—a reversal of the right and becoming order of things where a home is to be maintained.

Fashion had for some years unconsciously supported the trend of things; and women, who had always been by far the most numerous in domestic service, now still further absorbed men's tasks. Women butlers replaced men, parlour-maids were seen instead of footmen, and, except in most lavish households, women chefs ruled the kitchen.

In primary education there had for years been a decrease in the supply of men teachers, and their ranks were continually being filled in all mixed schools, and in the lower standards of boys' schools, by women.

The immense demands made by the war on all able-bodied men still further depleted the ranks of men teachers, and in secondary no less than elementary, schools their places were filled by women. So also were the clerical staffs of all great corporations, from government departments downwards, changed and recast.

Even the organized industries whose workers were controlled by the trade unions yielded their hardly won

privileges and admitted non-union and women workers in enormous numbers, known as "dilution" of skilled labour. This was especially for the making of munitions and the preparation of war materials, which involved a great deal of "repetition" work and the control of machines and appliances so ingeniously constructed as to be described as "fool-proof." With the cessation of this manufacture of destructive implements and the gradual re-establishment of normal industry there came the displacement of a large number of war-workers. But many women to whom earning a living is a necessity refuse to occupy positions of economic dependence, in the form of house-room or allowance, and seek to demand an economic wage. Thus has arisen the familiar watchword "Equal pay for equal work," a demand which is being pressed most successfully in the teaching profession, and next to that in certain of the higher branches of clerical work. Since the supposedly normal state of things assumes that a man's wages are designed for the maintenance of a family, the older plea for a living wage is being expanded into one for a family wage.

But, hitherto, it must be conceded that men's wages have been paid for services, not for individual responsibilities; and the qualified artisan, married or unmarried, has claimed wages in accordance with his trade rate. Nor is there any substantial weight in the supposition that men, as wage-earners, have dependents and that women have not. Many wives have to support, wholly or in part, invalid or delicate husbands; widows have often to support and bring up young children; women workers may have aged parents or relatives dependent, or partly dependent, on them, from the time when they first begin to earn wages.

It is urged with some force that in similar employments and at work which is practically of the same standard of efficiency, there is no justification for a different rate of pay. Women clerks and women teachers undertake and

perform the same tasks, with equivalent training and preparation, as men ; and though usage and tradition has since the sixteenth century allotted the unpaid or underpaid work, involving little skill and technical mastery, largely to women, the wider outlook of modern times finds it hard to see justification for perpetuating it. Women in the medical profession and in the legal profession do not charge lower than the regulation fees on the score of their sex. If we purchase a cabbage from a woman greengrocer, or a hat-ribbon from a woman draper, we do not expect to pay less than if the shopkeepers had been men. The reluctance to admit the justice of the claim of equal pay for equal work is one of the effects of custom on payments. Many of the objections are based, too, on conditions which would tend to disappear. One objection upon which much is built is the supposed greater fragility of women, which makes absences through indisposition of much higher frequency than in the case of men. But a great deal of the ill-health of working women (as revealed by the investigations for national insurance) is due to the fact that they are underfed and overworked. Besides the large number who are responsible entirely for the home, in most cases of young women in industry and in the lower ranks of the professions they are driven to combine home duties and cleaning, and the mending and making of their personal belongings, whereas young men of the same position would be free to pursue some form of recreation or to rest. With better pay relief from the double strain might show an increase of vitality and robustness, such as are characteristic of most women more fortunately situated.

It is not, however, to be supposed that, were the change of dual rate of pay effected, there would result conditions of complete equity and justice. Only in some forms of labour could it be established ; those in which the men and women engaged can accomplish equivalent tasks with measurable efficiency. There will always be some work which the greater muscular strength of men enables them

alone to perform ; and always some which only the special qualities of women can achieve. Prophecies, whether sanguine or depressed, are rarely the outcome of a study of principles united with a knowledge of facts ; and often they are influenced by considerations of expediency rather than of justice.

An expression much in evidence lately is " ca' canny," a Scottish idiom applied to the deliberate lessening of output. It is generally believed to be the policy adopted by the worker, since the results of his application or want of it are easy to note and measure. The trade unions have generally sanctioned the limitations of workers, apprentices, and labourers in order to avoid the over-production which has been a recurring feature of competitive industry for more than a generation. Taking only the short view the underlying idea is justified ; for invariably the aftermath of an outburst of speculative manufacture, such as was plainly in evidence during the two years immediately after the Great War, is a period of depression in trade. This experience also invariably brings with it a wholesale dismissal of workers, and the explanation that the " markets are overstocked " with the goods they strenuously assisted in preparing does not encourage them to persist in increasing production.

Yet, as Ruskin long ago pointed out, the contradiction implied in over-production side by side with unemployed workers, betokens not that there is the desired " abundance of things " which constitutes national wealth but that there has been mal-adjustment ; the wrong things produced, and those largely on chance. The hoped-for markets failing, the losses are recouped by shutting down the particular set of activities, with probably no other set of activities to take their place.

We can hope for a solution of the complicated problems of trade and industry only by the spread of understanding of the interdependence of all concerned, and the development of goodwill between those whose interests at once

coincide and conflict—on the part of the captains of industry something of the magnanimous spirit of the merchant, whose function it is not to get rich but to provide for the nation; and on the part of the rank and file, a comprehensive resolve to play the game and, “without capitulation,” to give a fair day’s work for a fair day’s wage.

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